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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2152

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PROBLEM OF LIMITING WESTERN LUXURY GOODS PURCHASES EXAMINED

Sofia OBSHTESTVO I PRAVO in Bulgarian No 5, 1981 pp 21-23

[Article by Baycho Panev: "Possible Misuses; Comment on Changes in the System of Sales in Nonsocialist Currency"<sup>1</sup>]

[Text] Until about ten years ago currency crimes were relatively rare in our country. Very few people, mainly loafers and almost never young men and women, engaged in illegal dealings involving foreign currency. There were no major reasons or temptations for the involvement of working people in undignified bargains or humiliations for the sake of foreign currency. This tranquil situation was not affected even by the increasing number of western tourists visiting our country.

A remarkable increase in the number of illegal deals involving nonsocialist currency began after some facilities were offered to foreigners and local residents possessing foreign exchange. The dignity of many Bulgarian citizens and their confidence that with their earned income they will have access to all material and cultural goods, according to its size, was put to a test.

It would be difficult to find a real justification for a tourist from Lebanon, Greece or Canada, for example, to enjoy certain advantages as a purchaser, compared with the rest of us. It would be even less justifiable to accept that the labor of a Bulgarian construction worker or physician working abroad is more socially useful than the work done by his colleague at home in terms of privileges granted in the purchasing of scarce, luxury or imported goods, the procurement of an apartment or a car, or the purchasing of various services.

Obviously, important financial considerations made it necessary to encourage purchases of goods and some services in foreign exchange in the domestic trade system. It is equally obvious that violations of the rules governing foreign exchange will occur as long as the reasons for this compromise with the principles of distribution of our society have not been eliminated.

Article 250 of the Penal Code stipulates punishments for anyone who violates the Law on Foreign Exchange Valuables and Foreign Exchange Control, or the Council of Ministers act on its application in terms of deals, imports, exports and declaration of such values and possessions in excess of a stipulated amount.

<sup>1</sup>The present manuscript was received by the editors at the end of 1980. Since then some improvements have been made in the organization of the network and the system of deals in foreign currency. Most of the recommendations found in this article, however, remain pertinent.



The increased frequency of criminal actions and of individuals sentenced as per Article 250 of the Penal Code, which began some ten years ago, was terminated in 1976 for purely procedural reasons: the lower limit of punishable activities was raised by law from 150 to 250 leva. Nevertheless, regardless of this decriminalization, between 1976 and 1979 the number of crimes and of individuals sentenced rose considerably once again. The range of perpetrators was extended to various circles of working people and the young.

The elimination of coupons and the permission granted to Bulgarian citizens to purchase directly with foreign exchange from the specialized stores goods in short supply or in great demand was the main reason for this boom. Naturally, the requirement that the foreign exchange with which the purchases were made be legitimately acquired was retained. However, the social reasons for the mass violation of this legal requirement were created.

The number of Korekom stores and their sales rose significantly, whereas the legitimate sources for the procurement of foreign currency by Bulgarian citizens remained unchanged. Many foreign visitors or foreigners in transit began to sell western currencies to locals at three or four times the legal rate of exchange, instead of exchanging it through legitimate channels. Customers were easy to find. They consisted mainly of young men and women who ignored the ban lightheartedly for the sake of being able to purchase jeans, tape recorders or other tempting items sold by Korekom stores. Although they felt bad about it, working adults resorted to such deals in order to procure spare parts, instruments, furniture and other goods in short supply on the open market. Meanwhile, using Bulgarian currency, which was purchased at depreciated rates, the foreigners bought substantial amounts of goods from the population's commodity stocks.

It became apparent that not everything had been planned properly, even from the economic viewpoint. Furthermore, the increased number of crimes as per Article 250 of the Penal Code was the undesirable yet inevitable result of the changes made in the pertinent rules, not to mention the fact that the number of undetected crimes of this nature remains unknown.

Measures to correct this error were taken starting with 1 January 1981. Bulgarian citizens can purchase goods with nonsocialist currencies only with coupons or checkbooks issued on the basis of legally acquired currency. The network of Valentina DSO[State Economic Trust] stores is being expanded and the variety of imported and luxury goods, which are competing with goods sold by foreign exchange stores, is broadening. This represents a major step toward the elimination of some reasons for negative actions in this area.

However, have we foreseen other possible consequences of the reform? Have safe barriers been erected against violations of the current system?

Let us consider, for example, the following considerations which could assist in the prevention of new negative phenomena:

Unless the number of Korekom stores and their sales plans are not reduced further, their efforts to fulfill their current plans will negatively bring about an artificial increase in sales, exceeding by far the needs of individuals who have acquired

foreign exchange legitimately. The extensive advertising of such trade must be stopped in order not to create the temptation to purchase such goods. Specialized stores must accept coupons and checks exclusively;

Foreigners must make purchases in the country with nothing but Bulgarian currency obtained in accordance with the stipulated procedure in the exchange centers. Demand for western currency on the part of our citizens will decline if it cannot be used on the domestic market. Consequently, the foreigners will no longer find currency buyers;

Today speculation with foreign exchange can easily convert into speculation with goods, i.e., the resale at higher prices of goods which foreigners and Bulgarian owners of legitimately acquired foreign exchange purchase at Korekom stores. We know that speculation with goods is equally punishable for both parties to the deal, as per Article 233 of the Penal Code.

Such purchases made for speculative and resale purposes occur most frequently on the basis of a preliminary deal with numerous consumers or even at the latter's initiative. Consequently, the volume of illegal dealings will not decline but merely change. All inconveniences and degradations experienced by ordinary people who have no access to legitimately acquired foreign exchange—the majority of our working and young people—will not disappear;

In all likelihood, in addition to resales of goods purchased with coupons middle men will appear in such speculative activities, to facilitate the establishment of contacts between the owners of coupons and the consumers. Preventive measures must be taken on time in order to avoid the development of something resembling the current stratum of people who act as middle men in foreign exchange purchases. In addition to punitive measures as per Article 234 of the Penal Code, administrative penalties for minor offenses should be applied as well;

Food products, cigarettes, beverages, children's toys, dungarees [dunki], jeans, cosmetics, perfumes and other similar items which attract the mass purchasers, young people in particular, should be withdrawn from Korekom stores.

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CSO: 2200/106

## BULGARIA

### CASES OF BRIBERY, CORRUPTION, EXPOSED

Sofia POLITICHESKA AGITATSIYA in Bulgarian No 11, 1981 pp 38-42

[Article by Vasil Popov, chief specialist of the Chief Procuratorship Office:  
"Bribery"]

[Text] A legitimate phenomenon in the capitalist world.  
Is this bacillus encountered in our country, and if it  
is, how do we fight it?

The birth date of this phenomenon is not recorded in history. It is probably as old as is the state as a social institution, for occasionally the mercy of the "gods" on earth had to be earned with gifts, in addition to flattery and servility, if one were to obtain what was legitimately his.... It was as of that time that this stinking weed was able to sink deep roots in the public land, crossing the borders of countries and poisoning the atmosphere to this day. It flourishes in our society as well, as a vestige, a remnant of a society whose ills are incurable and which we know as capitalism. To this day, in a capitalist society bribery has been growing and flourishing. It has reached the peaks of social management and entered the halls of government and the palaces of presidents and commercial magnates.... It has also brought down heads of governments, unravelled the secrets of big deals and opened channels for the making of sinister fortunes.

In the United States, "the country of unlimited opportunities," corruption "smiles" at each step. Senators, congressmen, governors, mayors, judges, state officials and others miss no opportunity to acquire wealth through bribery. The press has described a number of cases of high level corruption in other capitalist countries as well. In Great Britain, British Leyland, the automobile company, spent millions of pounds sterling in bribes in many countries in order to make sales. In the United States, the Gulf Oil Corporation made the South Korean government a gift of \$4 million in order to be allowed to operate in the country. In Japan, within an 8 month period alone, 30 mayors were arrested for accepting bribes and refuting their official position. In those countries bribery flourishes among the police as well. In the United States, Latin America, Japan and Western Europe extensive bribery takes place within the existing mechanisms for the struggle against crime.

Lockheed Aircraft, the American aerospace corporation, generously bribed highly placed foreign statesmen and politicians in the amount of millions of levas, for the sake of making advantageous sales of military aircraft to Italy and many other countries. Another American company spent more than \$2 million for bribes of foreign officials, for the sake of selling fruit at more advantageous conditions. Cities



such as Chicago have earned the reputation of "city of bribes." About 100 American companies were charged with bribing foreign officials for the sake of signing good contracts for the sales of their goods and beating the competition. Bribes made by corporations are reported as "public relations costs."

The extent to which this social phenomenon is widespread in the capitalist world is concerned by the efforts of some circles to legalize bribes, since it is considered "a disparity between existing laws and public morality." In their view, bribery is not an immoral phenomenon, for which reason it should not be considered a crime. The United States is not considering measures to restrict it but to establish a legal means for offering certain amounts of money described as "fees." Bribes made abroad are not considered illegal in general.

Whereas bribes may be one of the internal inherent features of the capitalist society, it is a shameful phenomenon in our society, a vestige from the past, supported to a certain extent by our own shortcomings, mainly those of a subjective nature.

Under the conditions of the new economic mechanism, which broadens the right and responsibilities of economic organizations, some unconscientious people become greedy and, in order to achieve better economic results, use bribes. Others profit from existing difficulties in the procurement of scarce commodities and from shortcomings and bureaucracy in the activities of some state organs, the unsatisfactory state of consumer services, difficulties in material supplies, shortage of housing, transportation hardships, and others. However, the conditions which encourage bribes do not necessarily result in making them. However favorable the grounds for bribes may be, they would be hardly used in the absence of some personality shortcomings of the perpetrators and without neglect for rights and obligations.

Following are some judicial examples:

General criminal case tried by the Sliven Okrug court:

D. L., head of the State Property Service of the financial administration of the okrug people's council, accepted bribes from 100 to 500 leva for settling cases involving transfer of lot ownership. It was his job to do so. However, by dragging and deliberately hindering the processing of documents and by insinuating to the citizens that all this depends on "higher ups" to whom gifts should be made, he openly asked for such funds which were contributed by the citizens needing the services of the council.

General criminal case tried by the Silistra Okrug court:

In his position as a expert appointed by the DZI [State Insurance Institute], K. S. received money gifts on a number of occasions, for a total of 10,900 leva, contributed by citizens for the handling of claims for damages for buildings fallen as a result of a natural catastrophe, an earthquake. He deliberately raised the appraised value so that the victims may obtain higher payments from the DZI. He reclassified frame buildings into semibrick buildings or misrepresented their size. In such cases, K. S. acted together (within the same commission) with F. I., the chief of the financial service. The latter earned bribes totaling 8,750 leva. As the result of such bribes a number of citizens obtained illegally from the state a total of 40,837 leva. By this method the Council of Ministers Decree No 24, dated 1 April 1977, on compensating owners for the actual damages to destroyed or severely damaged buildings in

accordance with the current regulation on real estate prices, was misused for the sake of personal advantages.

This way, both those who offered and who accepted the bribes benefitted. But was it the state alone that suffered?

General criminal case tried by the Sofia city court:

V. G. was head of trade in a Bulgarian trade agency abroad where he received a foreign currency gift from foreigners equalling 8,072 leva. Through such gifts company owners were given preferential treatment in making deals with our country. The official was given the hint that he could rely on material support in case of need and that funds had been given to other trade officials as well. That is how he began to slide to crime and very soon afterward he found it quite easy to ask for fictitious loans. The reasons for this crime are self-evident....

The leader of a steam installations brigade of the Repairs and Construction State Economic Enterprise accepted a bribe of 2,682 leva for speeding up the installation of steam generating facilities....

Bribes account for a small percentage of crime in our country. Every years about 150 to 200 such cases are exposed and about fifty are stopped or prevented. Whatever the size of the phenomenon may be or the nature of the methods used, the characteristic remains the same: this is an ugly, criminal and intolerable action. The moral fall of the perpetrators not only destroys their individual reputations, the reputation of their position and that of the establishment or enterprise in which they work, but the reputation of the authorities they represent, be they administrative, health, educational, law and order, and so on.

Such officials who should be grateful to society for its trust seem to wish to discredit it with their greedy behavior, as though from a sense of "gratitude." They develop in unstable citizens the illusion that they are untouchable and omnipotent. However, bribes cannot remain hidden underground and their seeds cannot develop into fragrant flowers. Sooner or later, all such violators of the law, their conscience, duty and dignity become exposed.

"It is degrading for a person to receive a bribe," says the defendant V. G. "It is inconsistent with the standards of our socialist society. I touched such dirty money which I obtained from representatives of a company selling Bulgarian porcelain tiles."

This is a bitter and belated repentance which, however, has not lost its value!

All the individuals we mentioned here have already been sentenced. However, the facts are trailed by conclusions and lessons.

What did the individuals bribed want or hope for? Did they think that nothing would be heard, seen or found? Hardly. Could they have relied on luck? Luck is one thing and ideological purity and moral firmness is something else. It is precisely they that were lacking. The will and common sense yielded to the temptation to acquire material goods without work, to the temptation of becoming rich at someone else's expense.

Let us go beyond these examples, on the basis of a broader summation of judicial practices.

On an annual basis, the percentage of exposed bribes in our country is small. However, adding the undiscovered crimes of this nature, things become somewhat different and force us to become more vigilant and more attentive. We must approach the harmful consequences of bribes not only on the basis of material criteria and the determination of material benefits and damages but, above all, from the viewpoint of moral-political damage.

Today bribes are being made in a great variety of concealed manners. In all cases, however, they are a dangerous enemy of socialist morality and professional ethics. They equally conflict with party morality and party policy.

The bribe is a shameful phenomenon. In addition to weakening the system of legality it introduces an element of disorganization in collectivistic, labor and moral relations. It obstructs the application of socialist principles and standards. This phenomenon violates the organizational principles governing the activities of the state apparatus and hinders its advancement. No results can be achieved on the economic or ideological fronts by allowing this parasite to spread. All efforts to assert socialist legality would be useless if laws and other legal acts were applied under conditions facilitating bribes. They play the role of a detonator harming law and order, undermine the just solution of problems, destroy and corrupt.

Our task, consequently, is to describe not only the juridical aspect of bribes, explain the penal liability for bribes, as stipulated in the Penal Code, or demand the imposition of strict penalties on individuals exposed for taking bribes but to eliminate and describe the overall political aspect of this phenomenon which, from an ordinary vestige of daily life, could become a dangerous destructive agent. This phenomenon not only objectively conflicts with the interests of society and the involvement of the individual but has an extremely adverse effect on communist upbringing.

The preventive measures taken on the basis of reports and suggestions of specialized legal organs or the public and individual citizens usually apply to departments where bribes have already been accepted. Obviously, such departments are not inclined to provide information on their negative experience. A truly comprehensive report on bribes presumes a detailed study of conditions which facilitate the phenomenon in all social management sectors, and the formulation of a set of organizational measures for strengthening administrative influence and the prevention of bribes. The legal instruments at the disposal of the law and order authorities are insufficient for the elimination of bribes. Specific preventive measures must be adopted in each administrative sector. The solution of this problem must be undertaken by party organs and organizations.

A study of criminal bribe cases enables us to formulate some more general recommendations of a preventive nature:

The activities of officials must be defined more fully in terms of legal controls over any area of management involving material or administrative-procedural norms; control over the activities of officials must be organized more systematically and effectively within the framework of the laws. Together with the organs of the

Unified Control System a more active use must be made of the efforts of the special control organs and of interested organizations and private citizens;

The collective adoption of resolutions, as a guarantee against the possibility of misusing individual decisions, must be used more frequently.

The struggle against this shameful phenomenon, which violates the very nature of the socialist system, requires constant intolerance and a feeling of strict liability and lack of compromise. In this respect we must make full use of the penal stipulations, the participation of party organs and organizations, the use of public opinion, and the critical weapons of the mass information media. Firm measures and tireless counteraction, stricter social control and effective educational work are necessary.

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CSO: 2200/106



SSR'S 1982 AGRICULTURAL, FOOD INDUSTRY PLAN VIEWED

Bratislava ROLNICKE NOVINY in Slovak 13 May 81 p 4

[Report by Eng St. Studeny read at a meeting of activists at Piestany:  
"Agriculture Must Get Ready for 1982"]

[Text] Our highest party organs, the 16th CPCZ Congress and the CPSL Congress, recently evaluated the results of work of the party and society achieved in the last 5 years and formulated the general line for building of a developed socialist society during the Seventh Five-Year Plan.

Considerable tasks were also fulfilled in agriculture. Despite some climatically unfavorable years, agricultural production both in the entire state and the SSR increased by approximately 9 percent. However, not all possibilities of socialist large-scale production in agriculture, which ultimately has to secure our self-sufficiency in food, have as yet been exhausted.

The production basis of agriculture was strengthened by new equipment and construction of new facilities. Thousands of experts, after their graduation from secondary schools, joined the labor force in unified agricultural cooperatives and state farms. As a result, the nature of work and life in our villages is undergoing a change.

The principal goal of party policy in the economic area during the Seventh Five-Year Plan is to maintain and improve the existing high standard of living and its social securities.

Because of many external and internal causes, however, the implementation of this goal will be extraordinary demanding. It is inevitable to anticipate considerably aggravated conditions and higher costs of acquiring the necessary sources of fuels and energy, crude oil, metals, foods and other raw and industrial materials both from imports and domestic production. It will be necessary to cope with fiercer competition on the Western markets and also with the higher requirements of foreign customers and domestic consumers as to the quality and technical standard of products in spite of the lower increases in the labor force and substantially smaller investment possibilities.

When we speak of the demanding tasks during the Seventh Five-Year Plan, we have in mind not only the high growth rates for production, but also more effective



utilization of all sources of growth of our national economy. We still possess considerable reserves in our republic for this purpose. We spend approximately 20-30 percent more energy per unit of the national income in our country than in other industrially developed states. Essentially the same applies also to the consumption of raw materials, steel, cement and other materials. For this reason, the demand for reducing the consumption of energy by 2 percent and of metals by 4.5-5.0 percent in individual years is not only imperative, but also realistic. An equally justified demand is for better utilization of capital assets. Their volume has constantly increased so far, but their efficiency declined 11 percent during the five-year plan period just passed. It is necessary--but also possible--to use existing manpower more economically. Working time losses are estimated at 15 percent in industry and 30 percent in the construction industry.

In this connection the requirement is posed for increasing the self-sufficiency of the Czechoslovak economy in those sectors for whose development favorable natural and economic conditions exist in the CSEK. It is not necessary to emphasize that this applies to agriculture and food industry in the first place.

The guideline for the draft of the operations plan for 1982 also is based on the basic goals, conditions and directions of development of our national economy which was formulated by the 16th CPCZ Congress.

#### Serious Situation in Grains

In contrast to the reality achieved in 1980, agricultural production is to increase 3.9 percent, including 8 percent for plant production and 4.2 percent for animal production within the next 2 years. Purchase for state reserves is to increase 4.6 percent, including 6.6 percent for the purchase of plant products and 3.7 percent for animal products.

These overall growth rates do not seem high at first glance. We get a different picture if we look at individual production sectors. The most important fact we have to realize is that the growth of animal production must be attained with substantially smaller imports of grains and that the eventual shortage in fodder supply will not be made up by additional imports from the nonsocialist states.

The basic task of agriculture next year as well as during the entire next period is to increase the collection of grains. We must approach this problem in a somewhat different manner than in the past. Although we achieved high yields per hectare during the Sixth Five-Year Plan, we always produced less grains than we actually needed. We must, therefore, again pay serious attention to the problem of sowing areas. They were on the average 30,000 ha [hectares] smaller in the Sixth Five-Year Plan than in the Fifth Five-Year Plan, and many okreses made it a rule to reduce the areas sown with grain in favor of fodder. Due to these measures alone, the loss in grain harvests amounted to 780,000 tons during the Sixth Five-Year Plan and this is something we cannot afford under any circumstances in the future.

This year's plan anticipates production of 3.88 million tons and this amount is taken into account for the grain supply for the next year. We are expected to produce

3.875 million tons of grains in 1982. This is by no means a small task considering that we produced only 3.73 million tons in our best year so far (1980). The guideline for the next year anticipates a yield per hectare of 44.3 q [quintals] which is 0.4 q less than last year. The entire increase must, therefore, be achieved through the increase in the sowing area which should cover 875,000 ha or 43,000 ha more than last year.

The question now arises as to the limit of productivity of these areas. With the exception of the Central Slovakia kraj, densely sown grains nowhere account for more than 50 percent of the arable land, and their share in the Central Slovakia Kraj was smaller than for example, in the Central Bohemia, West Bohemia and East Bohemia kraje as early as 1980. We must, therefore, say quite frankly that these sowing areas cannot be further reduced. If this cannot be achieved in any other way, we shall have to specify their sowing area as one of the five mandatory indicators of the plan. We have adopted the principle that the enterprise, okres, kraj and VILJ [economic production unit] which does not adhere to the planned area or are specified in the guidelines for sowing grains, in its draft plan must reduce production of pigs in the proportion corresponding to the reduction of the sowing area for grains. He who does not create conditions for increased grain production in the sowing area specified cannot count on the expansion of lucrative sectors of animal production. We know that this is not an easy problem. We must, therefore, demand that our seed experts unconditionally produce early hybrids of corn and that you, comrades from the okreses, organize sowing in spring in such a way that the agronomic deadlines are met.

The principal reason for the decrease in the areas sown with grains, however, lies in something else: defective cultivation and preservation of fodder.

#### Reserves of Bulk Fodders

The bulk fodders are thus the second key factor in the agricultural production increase. The guideline for the next year anticipates that the hay yields per hectare of meadows and of fodder on arable land will increase 7 percent and the yields per hectare of pastures 6 percent over the average of the 1976-1980 period. I think that this is in our power. If we achieve these yields, our bulk fodder needs will be covered and, in addition, we shall have a reserve of 7.5-9.4 percent depending upon the productivity of individual kraje. The problem lies not in total production, but in reducing losses in preservation, in making better use of so-called secondary sources of bulk fodder and, most importantly, in increasing the quality of roughage. The Research Institute for Animal Husbandry reports that according to its research a 328-gram daily increase in weight of cattle can be attained with the present quality of bulk fodder. With bulk fodder of such quality, a crop of 4 million tons of grains will not be enough.

In other words, everything must be done for improving bulk fodder production this year. We know what should be done. The systems of cultivation of individual types of fodder have been defined. The enterprises are in possession of correct feeding programs, but they lag in implementing them. We can and must speed up the construction of silage capacities, hay barns and facilities for preparation of fodder.

The situation in regard to the deliveries of equipment will be somewhat more favorable. It is anticipated that the following equipment will be delivered: 245 self-propelled fodder harvesters; 60 drawn-type harvesters-mowers; approximately 300 rotary mowers; 140 stationary mowers. For selected model farms 25 pieces of bulk fodder feeding equipment will be delivered from the GDR. Mountain and foothill areas with slopes of 12 degrees and more will be supplied with 37 self-propelled mowing machines of the Heureka type and 20 machines of the Reform type. At the present time, negotiations are in progress between VÚJ Zbrojovka Brno and an Austrian firm on the cooperative production of mowers of the Reform type for the mountain areas. It is assumed that a series production of a universal driving unit for mechanical mowing of grass on rugged meadows and pastures in the mountain areas will start as early as 1982. It is imperative to speed up the deliveries of preservation agents.

It is necessary and possible to make better use of pastures through cooperation, particularly in the SSR, and to expand sowing of intermediate crops in crop rotation. The CSR has made much greater progress in this area. In South Moravia Kraj, for example, they collected 48.5 q more of intermediate fodder crops per ha in the last 3 years than in West Slovakia Kraj where definitely more land is irrigated.

Let us not cover up, of course, that the principle tool available to us in the present period is the mobilization of the subjective factor, particularly better work by operators of mechanical equipment in harvesting and transportation, stricter technological discipline in preservation, prompter readiness in collection of hay, stricter procedures in taking delivery of fodders by departments of animal husbandry according to the quantity and quality and more effective application of material incentives.

The cultivation and handling of fodder is still very improvised and not comprehensive and quite a few enterprises show only a marginal interest in it.

### Topical Problems

We want to achieve progress by the joint effort of agricultural workers and VÚJ Sugar-Sweets in production of sugar beet and sugar. In this effort, we are supported by a substantial amount of foreign exchange. It is not necessary to use many words to explain what sugar means in the CSSR foreign-trade balance or for the development of several sectors of the food industry today. I think that good prospects exist for the implementation of the guideline in regard to sugar production.

The ministry has prepared material for the SSR government on expanding production of vegetables, fruit and potatoes during the Seventh Five-Year Plan. I can say even now that the emphasis will be on better work in our own sector, on production and postharvest handling of vegetables and fruit.

Next year's guideline anticipates a 49,000 ha area for planting of potatoes with a particularly substantial increase in West Slovakia Kraj. The deficit in the last year's potato harvest cost us Kcs 120 million foreign-exchange korunas. Until we



reach a level in our potato production where yields per hectare will not drop below 150 tons even in unfavorable years, we cannot even speak of reducing the areas planted with potatoes, although these many thousands of hectares of good land could be used for a better purpose.

### Purposes of Intensification

In accordance with the resolutions of the 16th CPCZ Congress, the guideline assigns priority to the breeding of beef cattle and sheep in the structure of animal production. The breeding of pigs should remain on the level achieved in 1980 during the entire Seventh Five-Year Plan. The reason is clear: production of 1 kg of beef requires 2 kg of grass less than production of 1 kg of pork. Not only that, as the latest comparison of the levels of agricultural production in West Slovakia and South Moravia krajs confirms, we possess the largest reserves for animal production in cattle breeding.

The 1982 guideline anticipates the purchase of 191,000 tons of slaughter animals, which is 7,000 tons more than last year. The purchase of milk is to increase 96.1 million liters in these 2 years and the total purchase is to amount to 1.5 million liters. The problem lies in the fact that the meat production of our beef cattle herd has remained stationary for a number of years and its production will remain at last-year's level this year as well. It seems to me that the responsible managerial personnel in some okreses or even krajs do not see a way out of this dismal situation and propose to meet the targets by production of pigs for slaughter. This, however, is not possible in view of the present grain supply. Nothing else remains but to mobilize all forces and know-how in order to meet the target set for slaughter cattle.

As to the breeding of beef cattle, all specified intensification measures must be consistently implemented both in the reproduction process and in actual feeding. In order to speed up the breeding of beef cattle as early as next year, additional preferential treatment of economic tools is under consideration.

As to the technical aspect of the matter, we regard—in connection with the preparation of the plan—that the foremost task for every kraj, okres, VUH and agricultural enterprise is to devise procedures and measures designed to dynamically increase the herd during the Seventh Five-Year Plan in order to achieve the following parameters: weight increase of at least 65–70 dg [decigrams] in fattening of calves, and at least of 6–65 dg in fattening of heifers so that conditions are created for breeding of at least 39 heifers and calving of 32–33 heifers per 100 cows. It will be necessary also to improve the fertility of cows and to raise at least 98 calves per 100 cows. In fattening of cattle, conditions must be created for increasing their market weight to 472–475 kg, which is 7–10 kg more than last year, and for increasing the weight increases by at least 80–82 dg. I must point out that 92-dg weight increases have already been achieved in Dunajská Streda Okres and 88-dg increases in Komárno Okres.

To keep the herd at these parameters is, of course, only the first and not the most difficult step. If the renewal of the herd is to be the real guide, then every figure pertaining to the renewal of the herd, every gram of the higher increase

during fattening, every kilogram of larger market weight must be backed up by realistic comprehensive measures in the area of bulk fodder, its utilization, barns and other shelters, breeding, protection.

In our effort to produce meat requiring less grain fodder, the breeding of sheep has assumed greater importance. We recommend to our comrades from kraj and okres P8 [breeding centers] in the West Slovakia and East Slovakia krajs to see how it is done in Central Slovakia Kraj, where significant progress was made in breeding of sheep which will still be maintained, I hope, this year.

The improvement of nutrition and the general intensification of beef-cattle breeding, of course, depends on the economy measures in feeding of pigs and poultry because it is precisely the feeding of these animals which reduces the supply of fodder originally earmarked for beef cattle. The planned sources of grain-fodder supply must therefore be administered in such a way that the planned production and purchase of slaughter pigs, poultry, eggs and milk is not achieved at the expense of breeding of heifers and fattening of beef cattle.

In preparing the 1982 plan, all levels of management must thoroughly review the consumption rate of grain fodder and enact measures to reduce its consumption. In production of pigs, the Slovak Planning Commission requires reducing the standard norm to 4.2 kg. This year's average has been set at 4.29 kg for all of Slovakia. It is, therefore, necessary to reduce the present standard by 2.1 percent.

I must say a few more words on this problem of grain-fodder supply. Planned production of fodder compounds during the first half of this year completely depends upon the deliveries of grain. The target set for the purchase of grains and dry fodder during the first half of 1981, however, is not being met, thus we had to reduce the deliveries of fodder compounds as of 1 April 1981. Following this reduction, we still must purchase 158,600 tons of grains from the last year's harvest during the first half of 1982. This task was unsatisfactorily fulfilled--only 70.9 percent--by 7 May 1981: the organizations managed by KPS [Regional Food Procurement Administration?] Bratislava fulfilled it 80.6 percent, Banská Bystrica 80.0 percent and Košice 86.7 percent. The target set for the purchase of grains is to be met by 15 May 1981. If it is not, we shall be forced to further reduce the deliveries of fodder compounds in the proportion 1:1.

#### Tasks of Food Industry

In the food industry, the guideline for 1982 anticipates gross production in the value of Kcs 30.9 billion which is Kcs 900 million more than the 1981 plan called for and represents a 3 percent increase. The supply in retail packaging must surpass the 1981 plan targets as follows: of meat by 6,300 tons (2.2 percent), of poultry by 3,200 tons (5.4 percent), of butter by 800 tons (2.5 percent). The guideline sets much more demanding tasks for production of malt, where a 10,000-ton increase is anticipated, and for production of sugar of which a total of 232,000 tons are to be produced. For the sake of comparison, we produced 187,600 tons during the last campaign.

The tasks of merchandise production by individual VHI are based on increased agricultural production for the market and other potential supply of raw materials,



particularly from imports, as laid down by the guideline. In this connection we anticipate a more rapid production increase in the poultry industry (a 4.8 percent increase), in the milk industry (a 3.7 percent increase), in VHL Sugar-Sweets (a 5.5 percent increase) and Wineries (a 5.5 percent increase). A smaller increase is anticipated in sectors depending upon imports from the nonsocialist states.

The guideline sets much more demanding tasks for deliveries to the domestic market. The food industry is to deliver Kcs 1.15 billion more merchandise or 3.4 percent more than the plan for this year called for.

The main thing is that we supply the domestic market with the largest possible quantity of goods in terms of value and in the required assortment from the available sources. This is the task which is very important from the political standpoint. The living standard and contentment of our society depends upon its fulfillment.

As in the past, we face two different problems. On the one hand, we have some merchandise which the market does not buy in the quantities offered.

On the other hand, there are some goods whose domestic demand we have not been able to meet for a number of years. Sometimes we lack the necessary foreign exchange, at other times the necessary production capacities, while sometimes we are bound by limited deliveries of raw materials. However, we also face a similar situation in regard to some products where these limitations do not exist. For example, sometimes we are not able to sell on the domestic market some more finished products such as meat products. I do not know whether we are ingenious enough in innovations, whether we have done enough in utilization of all waste. For too a long time, we have not successfully coped with the task to increase production and sales of finished foods to be consumed in households without further preparation. These goods are especially mentioned in the Main Directions.

#### Potential Anti-Import Measures

So far as foreign trade is concerned, we regard the limits set by the guideline for exports and noninvestment imports as satisfactory under the present circumstances. The open question, however, remains the import of grains. We would need more of them, both in the food industry and agriculture. As in the past, we shall have to take care of some minor needs as they arise in the course of the year. Generally speaking, however, we can use only what is available. If somebody demands more, he will also have to submit an adequate proposal for bigger exports. I am convinced that we still have not exhausted all possibilities in exports and anti-import measures.

As to individual VHL, I would like to say this. We ask VHL Milk Industry to put Milk Plant Bratislava II finally into operation in accordance with the planned parameters. We ask VHL LIKO to more actively cooperate with the agricultural workers at SZSP [Union of Joint Agricultural Enterprises] and SZZ [Union of Agricultural Workers] and other organizations engaged in production and sale of vegetables and fruit in order to make up for the production loss caused by the frosts in April and furthermore to properly organize the recycling of jars for

preserving foods. We ask VÚJ Sugar-Sweets to enact appropriate measures so that the beet harvest be processed in the planned quantity without major losses by making sugar refineries work at full capacity every day. We expect VÚJ Breweries and Malt Plants to achieve a radical improvement in manufacture of nonalcoholic beverages and to produce at least 6 million hectoliters of beer. At the same time, we ask VÚJ Wineries to see to it that beer and wine be exported in the quantities specified by the guideline for 1982.

### Investments

The volume of investments, including investments for construction projects with budget costs below Kcs 2 million and machinery, as specified by the guideline is approximately on this year's level and with a rational approach should be enough to meet our needs. The principle of making most economical and most efficient use of available funds which is valid for the entire reproduction process in the entire national economy naturally applies also to the area of investments.

This means above all that:

--investment funds must be used primarily where it is most urgent in order to increase production or provide necessary services; where there is a guarantee that they will be most effectively utilized; where production or services can no longer be carried out with the existing facilities; finally, where the value of the new project is for efficiency--that is, for exports, anti-import measures, fuel and raw materials savings--significant and unquestionable;

--capacity units with lower investment costs must be acquired. So far we have not succeeded in reducing, in accordance with the resolutions of the 13th Plenum of the CČZ Central Committee, budget costs per capacity unit in agriculture. We, therefore, appreciate the initiative effort of comrades from West Slovakia Kraj in reducing costs of facilities for cattle.

We must also put an end to the bad habit of gradually increasing the budget expenditures (RN) of construction projects. There is frequently a big difference between RN and parameters of the project which are entered during the preparation of the plan and those recorded upon the completion of the project. This is often caused by the lower quality of work of all participants in the investment process. This must be seen and frankly stated. The government resolutions contain certain measures in this respect.

It may be necessary to point out in this connection that according to the "Set of Measures" material incentives in the food industry and some agricultural services are to a considerable extent linked to returns on production assets. Exceeding budget costs over the plan can be markedly reflected in average wages. The opposite, of course, is also true.

We have reached agreement with SIPK [Slovak Planning Commission?] that our ministry can make exchanges in the volume of work and deliveries between the categories up to and above Kcs 2 million of budget costs, respectively. This makes it possible for us to start construction projects above Kcs 2 million RN in a

larger volume than the guideline permits (there will, of course, be a corresponding reduction for the minor construction projects and machinery). This should include construction projects with shorter completion deadlines (with the exception of new milk farms, for example) in order not to increase the scope of unfinished projects.

As to soil improvement projects, a detailed analysis has revealed that with the scope of work planned for the Seventh Five-Year Plan we can reclaim a considerable area: we anticipate irrigation of 80,000 ha and drainage of 70,000 ha. It is imperative, however, that the State Soil Improvement Administration, design engineers and construction organizations consistently reduce budget costs per hectare of reclaimed soil.

Additional modifications within the improved system of planned management of the national economy specify that a considerable part of construction projects with RN below Kcs 2 million will be regulated by general guidelines. Naturally, such a solution can be adopted only where there are enough funds for the construction projects.

Apart from the basic requirement for speeding up construction, adherence to the deadlines set for the completion of projects and their putting into operation, proper and early preparation of new projects and rational use of limits set for the purchase of machinery, the food industry must solve the problem of storage and production capacities in V&H Distilleries and Preservation Plants.

The figures listed in the guideline reflect also the rather difficult situation of the Czechoslovak national economy in regard to fuels. This particularly applies to diesel fuel and light heating oil. Although we try in the draft of the Seventh Five-Year Plan to raise these limits for the initial years of the five-year plan, we must see that we face the inevitable necessity of reducing consumption and allocations of diesel fuel and particularly of light heating oil.

An important part of the plan preparation is in the discussion of supplier-customer relations at all levels. All levels of management as well as all enterprises concerned must very consistently, without any compromises, but flexibly discuss DOV [supplier-customer relations] so that, in cooperation with the supply organs, they in time clarify and secure material needs in the scope necessary for the fulfillment of their tasks.

The financial indicators of the guideline for 1982 anticipate a further dynamic increase in output and profits as well as a comprehensive increase in efficiency of the entire production process.

10501  
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NATIONAL AGRICULTURE 1934-1989 REVIEWED

Bratislava EKONOMIKA POĽNOHOSPODARSTVA in Czech No 5 May 81 pp 196-198

[Article by Eng Vaclav Strasil, Office of the CSSR Government Presidium: "On Results of Party Agricultural Policy"]

[Text] Historical Foundations of Our Agriculture

in the course of historical development there arose an organizational structure of agriculture which was based on small production units with a special way of life and production organization marked by the universality of work and small dependence on investments from other sectors.

There were 3.62 million persons permanently working in agriculture in 1936. On the average there were 2.14 ha [hectares] of agricultural land per worker.

In contrast to industry, which entered the stage of building of socialism with a relatively concentrated production in most production sectors, agriculture--even after the land reforms carried out during the 1945-1948 period--consisted of 1.51 million independent producers with a typical small-scale production base. Agricultural land was broken up into 33 million plots with the average size of 7 acres. The average area of farms was 4 ha of agricultural land.

Within a single decade (1950-1960), an organizational basis of socialist large-scale production in agriculture was created which could make use of contemporary scientific-technological progress for production intensification and increased labor productivity. The unified agricultural cooperatives and state farms became the key production sector in agriculture. Their share in the total area of agricultural land was more than 88 percent in 1960.

Specialization created the socioeconomic basis for extricating the production process in agriculture from the criteria and nature of individual farming and for the new stage of relations among people in the village in which not the inherited farmstead, but personal qualities and work results became the criterion of social status.

The organization of socialist large-scale production so far has resulted in a dynamic increase in productive forces, a high living standard for agricultural workers and elimination of the difference between town and village in all basic socioeconomic questions.



At the present time, agricultural production is approximately 1.5 times greater than in 1936 and more than double that in 1948. At the same time, the production basis was reduced in comparison with 1936, due to capital construction, building of roads and also because it is not suitable for use of equipment, by approximately 900,000 ha of agricultural land. This reduction involves 18 medium large okreses with an average area of 50,000 ha of agricultural land. With the present average intensity, agricultural products in the annual value of approximately Kcs 10.5 billion could be produced on this land, which is more than 13 percent of the total volume of agricultural production.

Table 1

Yields per hectare (tons per ha)

Produce	Annual Average					Index
	1934-1938	1961-1965	1966-1970	1971-1975	1976-1980*	1976-1980
						1934-1938
Grain crops, total	1.67	2.25	2.71	3.45	3.84	229.9
Potatoes	13.48	11.5	15.1	15.4	16.5	122.4
Sugar beet	29.3	27.6	36.5	34.85	33.07	112.8
Hay from meadows	3.57	2.78	3.15	3.45	3.68	103.1

\* 1980--expected results

Table 2

Animal Products	Annual Average						Index
	1936	1961-1965	1966-1970	1971-1975	1976-1980*	1980*	1980/1936
Slaughter animals excluding poultry in 1,000 tons of live weight	629	1,032	1,220.3	1,441.6	1,620.4	1,708.3	271.6
Slaughter poultry in 1,000 tons of live weight	-	78.9	119.1	191.6	246.6	264.5	335.2**
Milk (mil. liters)	4,741	3,564	4,385	5,129	5,462	5,740	121.1
Eggs (million)	1,879	2,589	3,346	4,267	4,637	4,940	262.9

\* 1980--expected result

\*\* Index 1980/average of 1961-1965 period



## Dynamic Agricultural Production Increase

Tables 1 and 2 show the results achieved in individual production sectors. This summary reveals a permanent, continuous increase in grain yields per hectare with the significant progression in the 1970's. A substantially lower growth rate is significant for both basic root crops. The prewar level was achieved in several years' average only by the second half of the 1960's, but sugar beet showed an obviously declining tendency in the 1970's.

The trend in the yields of fodder from meadows per hectare points to considerable unused reserves. The prewar production intensity was slightly and generally inconclusively exceeded only in the second half of the 1970's.

Animal production has been characterized by the very progressive growth rate in the entire postwar development. Also here, however, there are considerable differences between individual production sectors. Due to the amount and quality of fodder and other factors related to the biological essence of the reproduction process, but due also to subjective influences, primarily the standard of breeding and raising, the development of cattle breeding lags behind the breeding of pigs and especially of poultry. Contrary to the principles of rational nutrition, the share of pigs in the structure of slaughter animals increased from 44 percent in 1936 to 59 percent in 1980.

In the period following socialization, the growth rate of agricultural production in our country has permanently exceeded the rates achieved in the developed capitalist countries with the exception of the Netherlands. The differences in the dynamism of agricultural production increase further intensified in favor of the CSSR in the 1970's (Table 3).

Table 3

### Index of Trend in Total Agricultural Production

Country	1966	1970	1975	1976	1977
Europe, total	107	115	130	129	133
USA	103	109	123	132	140
FRG	102	116	119	118	121
France	102	113	123	122	128
Italy	110	119	127	124	121
Netherlands	103	135	160	159	163
Belgium	93	116	124	120	121
Luxembourg					
Great Britain	108	114	122	117	120
Denmark	98	93	102	96	100
Austria	102	109	121	121	122
CSSR	108	116	136	137	146

1961-1965 = 100

Source: FAO Monthly Bulletin of Statistics 1978, No 4, pp 21-25

## Share of Agriculture in Development of National Economy

By its socioeconomic structure and productivity, our agriculture took its place among the modern sectors of the national economy. By its irreplaceable role of the producer of food and raw materials for the food industry, it significantly participates in the overall development of the national economy and increase in the living standard. In view of the existing labor shortage, it represents a very substantial socioeconomic contribution to the reduction of manual labor in agriculture. The very fact that there are now 75 percent fewer workers than in 1936 means that more than 2.4 million persons could be released from agriculture for work in industry and other spheres of the national economy.

The data listed in Table 4 illustrate the position of agriculture in our national economy.

Table 4

### Agriculture's Place in Our National Economy

Indicator	1965	1970	1975	1978	Index 1978/1965
Social product produced in agricultural (billion Kcs)*	48.0	88.6	106.0	116.0	241.7
Its share in social product of national economy (%)	11.9	12.1	10.7	10.5	88.7
National income produced in agriculture (billion Kcs)	15.9	31.1	33.8	41.0	257.9
Its share in national income of national economy (%)	11.9	10.1	8.2	8.7	73.1
Share of workers in agriculture in total labor force of production sectors of national economy (%)	24.4	21.6	18.6	17.4	71.3

\* Values are given in current prices

The absolute value of social product as well as of the national income produced in agriculture constantly increased from the mid-1960's, although its share in the total value of the social product as well as of the national income gradually decreased. This is the general and logical tendency which is common to all economically developed countries. It is also significantly related to the structural changes in the national economy which are made possible by the continuing reduction of the labor force in agriculture in favor of other sectors of the national economy. This socially significant phenomenon reflects the declining share of workers in agriculture in the total number of persons active in the national economy.

The decline in the agricultural labor force has been offset by the higher labor productivity which increased--in terms of value of agricultural production per worker--almost fivefold since 1936. While one permanent worker in agriculture produced a value of less than Kcs 45,000 in 1965, this value exceeded Kcs 94,000 in 1980.

This progressive growth of labor productivity has been made possible by the increasing participation of other sectors of the national economy in agricultural production. While prior to socialization the workers in agriculture had to take care of more than 75 percent of the material needs of agricultural production and less than 25 percent was secured by the deliveries of the means of production from other sectors, the share of other sectors in the total material costs of agricultural production rose to 42.1 percent as early as 1967 and to 50.1 percent in 1973. We estimate this share at 55-56 percent at the present time. Investments by the industrial sectors in agriculture in the 1970's doubled in comparison with the 1960's and amounted to almost Kcs 150 billion during the Sixth Five-Year Plan.

The process of the socialist large-scale production reorganization of agriculture has thus also become the process of constantly increasing the participation of agriculture in social division of labor. Agriculture is becoming an increasingly more integrated part of the national economy, which results also in its increasing dependence on the quality and efficiency of work in supply sectors.

#### Self-Sufficiency in Food Production and Problems of Consumption

The degree of self-sufficiency in food supply from domestic resources reached 99 percent in meat, 100 percent in butter, 110 percent in cheeses, 102 percent in eggs and 122 percent in sugar in 1977, which was an average year during the Sixth Five-Year Plan. A lower degree of self-sufficiency was reached in grains (90 percent), oil seeds (59 percent), vegetables (91 percent) and fruit (59 percent).

However, by the level of consumption of food per capita in terms of daily intake of calories, fats and proteins, the CSSR ranks among the economically most advanced countries of the world. With the increasing consumption of food, its structure constantly improves by the increasing share of meat and other food of animal origin, while the consumption of flour and potatoes declines. Meat consumption per capita increased by 16.9 kg to 61.7 kg during the 1955-1965 period alone and reached approximately 85 kg in 1980, which represented a further increase of more than 23 kg during the last 15 years. By this consumption, the CSSR ranks among the first 10 countries of the world.

The consumption of fats, which is excessive from the standpoint of rational nutrition, is approximately the same as in the countries with the highest consumption. On the other hand, however, consumption per capita of vegetable fats and oils is smaller in our country than in other industrially developed countries. Our consumption of 17 kg of eggs exceeds the average in the EEC countries which is 14 kg and, with the exceptions of Hungary, also egg consumption in the CEMA countries. Sugar consumption likewise exceeds the norm of rational diet and amounts to approximately 38 kg which is 2 kg more than the average of EEC countries and the United States, but less than in the GDR, Poland and the USSR.

The consumption of vegetables (71.2 kg) is substantially smaller than in most CEMA countries and the average of EEC countries, Austria and the United States. A similar situation exists in regard to fruit consumption per capita, which amounts to 46.1 kg. Both in regard to vegetables and fruit, a detailed analysis of this major violation of the principles of correct diet reveals that the causes lie not

only in the production sector, inadequate quantities, structure and schedule of deliveries, but also in the entire complex of additional factors, including consumer tradition, ineffectiveness of adult education in this area and, last but not least, also the approach of public catering establishments and factory cafeterias to the solution of problems involved.

Securing a high level of consumption of quality foods is becoming increasingly demanding and lays ever greater demands on the work not only of agricultural workers, but also all components of the agricultural-food and agricultural-industrial complex. At the same time, the requirement of increasing self-sufficiency in food production is becoming more urgent.

The economic aspect of this requirement is graphically illustrated by the trend in prices of raw materials of both plant and animal origin, food and raw materials for the food industry on the world markets. In comparison with the price level of 1970 the index of world prices increased by 1980 as follows: wheat to 3.31; corn 2.33, soya beans 2.53; soya cakes 2.90; fish flour 2.56; cocoa beans 4.23 and so on.

This inflationary price trend is also to a considerable extent responsible for the fact that the comprehensive degree of self-sufficiency in foods that can be produced under our climatic conditions lowered in the last five-year plan period--from 93.6 percent during the Fifth Five-Year Plan to 89.2 percent and to approximately 90 percent in the agriculturally unfavorable years of 1976 and 1979.

These facts make it clear that much greater attention must be paid to the question of nutrition and its domestic sources in all respects, that is, in the area of production and its efficiency, in regard to materials and equipment necessary in agriculture and the food industry, but also in the area of consumption.

We shall evaluate the development of agriculture in Czechoslovakia and examine future tasks which must be fulfilled on the basis of society's needs in the second part of this article which will be published in the next issue of this periodical.

10501

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## VIEWING PROBLEMS AND PROSPECTS OF INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 19 Jun 81 p 7

[Discussion by the Industrial Committee of the National Assembly: The Problems of Industry--Less Favorable Export Possibilities]

[Text] Last year's industrial fulfillment lagged behind the plan. This fact did not evoke particular debate at yesterday's meeting of the Industrial Committee of the National Assembly. Industrial performance fell 2.5 percent behind the targeted 3.6 percent production growth. A report was handed to the representatives on the carrying out of the 1980 annual budget, which analyzes in detail last year's results. The most significant setback of 5.2 percent occurred in the machine industry, but there was also a notable decline of production in metallurgy of 4.6 percent, and in mining of 3.5 percent. All in all, industry fulfilled its plan by 94.2 percent with a more significant lag occurring in certain branches. Only the production of the construction industry exceeded the plan.

In his supplementary oral remarks, Bela Rabi, the state secretary of the Ministry of Industry, emphasized that despite negative trends the basic goal--the improvement of the economic equilibrium--was realized. This occurred, however, not because of a dynamic rise in exports but as a consequence of a decline in imports. But it is a matter of concern that production in the first 5 months of 1981 also has failed to show essential improvement: production in the state sector rose by 1.9 percent and by 2.5 percent in socialist industry as a whole. Since industry has the greatest share in the production of the national income, the lag also makes its effect felt on the development of the national income.

The lag can be ascribed essentially to three causes. Last year's export possibilities developed less favorably than expected. And according to signs, no change in this respect can be expected this year. The export fulfillment of industry has lagged behind plan expectations in the period of time that has elapsed thus far, while in certain areas the lack of the necessary commodity base has hindered the growth of export. At the same time, the domestic conditions of production have also failed to develop favorably. Since the level of investment has not reached the level indicated even in the plan, this has affected industry as well: various large machine industry enterprises struggle with a shortage of orders. (Which may, of course, have the positive effect--even if barely perceptible--of bringing them to transform their production structure.



The new price regulation introduced at the beginning of 1980 reduced enterprise profits by an average of 25 percent. Sharp differences developed particularly in processing industries which employ a price-formation that follows exports, while in the energy-producing branches profits did not, in general, decline. Last year state government centralized the greatest share of profits, or 57 percent.

It may be regarded as a favorable phenomenon, the state secretary for industry said, that last year there were no "deficit" enterprises, or none "came into being," and the scope of the base shortage enterprises was narrowed. Of course, he went on to explain, a role was played in this by the fact that in 1980 the ATB [State Planning Commission] dealt with 19 industrial enterprises and granted various subsidies and exemptions. A base shortage of almost 3 billion forints would have developed if the Csepel Works, the United Incandescent, the Machine Tool Works, the Halas Knitwear Factory, the Hajdusag Industrial Works, the Office Machine and Precision Mechanics Enterprise, and the Budapest Electro-acoustical Factory had not received a subsidy.

In several areas, including metallurgy and certain basic material branches of the chemical industries, domestic orders have decreased also, while the slump in foreign demand has assumed extreme dimensions. Although up to now also, the enterprises had to struggle at times with a lack of orders, the situation at present appears more difficult than ever before. And it cannot be excluded that the influence of all this will extend to other areas as well. That is, the appropriate organs should prepare themselves for this and work out a program for its solution.

Following the oral comments of the state secretary for industry, the representatives asked questions. Laszlo Kovacs was interested in petroleum imports, and Emil Merai asked whether the difficult situation in metallurgy is affecting the mining of anthracite coal in the Mecsek. Mihaly Juhasz expressed the view that there are many enterprises which lack the money necessary for level maintenance not because of a base shortage but because of indebtedness. Is anything being planned in the ministry, he asked, to help them.

In replying, Bela Rabi said that the problems of metallurgy necessarily affect mining because as a result of the decline in production the coal demands of the largest consumers are also decreasing. And as far as "indebtedness" is concerned no one forced these enterprises to take credits. That is, they are indebted by their own free will, and thus they must extricate themselves from their difficulties through their own efforts. Gyorgy Darvas, the industrial department director of the National Planning Office, said that it is frequently worthwhile to import petroleum for dollars because as refined it is possible to acquire more foreign currency.

Miklos Biro pointed out that their factory, the Mateszalka unit of the MOM [Hungarian Optical Factory], increased its performance last year by 25 percent. Thus the differences within the general situation are great. MOM could manage even better but it must, for example, get rid every year of almost 90,000 tons of waste glass, because there is no one to take it over. This kind of wastefulness makes production more expensive. Emil Merai accepted the reply of Bela Rabi, but expressed the view that the decision is too long in coming in the matter of Mecsek coal. Mihaly Juhasz expanded on why he used the "indebted" expression. It

was not of their own free will that many enterprises, he said, were constrained into important developments--an example of this is the paper industry--but they are now being held back by the former burdens. Bela Rabi requested a written proposal for a solution and promised that the subject would be discussed.

Attila Madarasi, state secretary of the Ministry of Finance, also spoke at the meeting of the Industrial Committee and together with Bela Rabi proposed that the report be presented for the approval of the National Assembly that was soon to meet. The committee approved this proposal, and Istvan Stadinger, secretary of the committee, closed the session with his concluding remarks.

6691

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# MANPOWER REALLOCATION IN CHEMICAL INDUSTRY REPORTED

Budapest NEPSZAVA in Hungarian 3 Jun 81 p 7

[Article: "Manpower Reassignments in the Chemical Industry"]

[Text] As a result of the implementation of a resolute industry development program, the proportion of competitive products in the chemical industry last year reached a few tenths less than 30 percent. For example, certain pharmaceuticals, new plant protection agents, steel [belted] radial vehicle tires and deep drilling tubing are salable on any market. In the aluminum industry, the competitive manufacture of aluminum oxide provided nearly 29 percent of last year's production value.

During the past five-year plan period, the manufacturing of more than 1,000 new chemical industry products was initiated, and nearly as many were removed from the manufacturing list. The manufacture of, among other things, 75 percent phosphoric acid at the Tiszamenti Chemical Works, of granulated polypropylene at TVK [Tisza Chemical Combine], of 2 types of flexible PVC sheeting at the Hungarian Synthetic Materials Processing Enterprise, of 5 new types of agricultural radial tires and fruit [scented] bubble baths and shampoos at KVI [expansion unknown] was initiated during this period. At the same time, for example, the production of solid caustic lye, certain types of photographic paper, tile and sheeting glues, and detergents and paints not in demand was terminated.

The termination of some production processes and the initiation of new ones, of course, are accompanied by a certain amount of manpower redeployment. As even the leadership of the chemical trade unions admitted, the retraining and reassignment of the workers took place without major problems, and with the cooperation of the majority of those concerned. The enterprise management and the trade union organizations worked together to handle the reassignments, taking into consideration the training, personal expectations and needs of the individual workers. As the directorate emphasized, special care was exercised to insure that the pay at the new place of employment was not lower, and that there was sufficient reeducation, or rather, training time.

Attachments to the accustomed jobs, work place and fellow workers, and in some cases separation from the brigade naturally caused many problems for the chemical industry plants. The trade union organs had an especially important role in the case of such problems.

The change in the production system of the Borsod Chemical Combine affected the jobs of nearly 1,600 workers. Of these, 94 left the plant, but the rest accepted the jobs offered to them. TVK solved the problem of securing the necessary workers for starting up the new propylene plant similarly, by internal reassignments. Throughout this process, 43 workers participated in retraining, or rather, further training.

At certain enterprises, shorter term temporary reassignments have been necessary in order to fulfill production plans, to augment production lags caused by material shortages, and because of seasonal work. At certain plants, for example at Chinoia, KVH and EGYT (United Pharmaceutical and Nutrient Factory), seasonal reassignments for production reasons are a matter of course, and workers are motivated by wage policy measures.

Since the increasing of economic production in the coming years is making the modernization of the product and production systems an important task, the directorate of the chemical trade union has determined the related trade union tasks. For example, it has stressed the parts of the collective agreement pertaining to labor reassignments, particularly the determination of wage factors and retraining time.

9093

CSO: 2500/280



## HUNGARY

### MINISTER SCORES INDUSTRY'S PERFORMANCE, ANNOUNCES POLICIES

Budapest NEPSZABADSAG in Hungarian 26 Jun 81 p 3

[Article: "Speech by Lajos Mehes"]

[Text] "On behalf of the party's Central Committee as well as on my own behalf I agree with the written and verbal reports on the final accounting of the 1980 budget and on the implementation of the 1976-1980 financial plans of the councils, as well as with the information supplied about implementing this year's plan and the planned measures—said Lajos Mehes, a member of MSZMP's Politburo and the minister of industry, in his introduction. He then stated that significant changes are in progress in economic operation and in the constructive work of the economic operating units, following the Central Committee's December 1978 resolution. These have contributed to the significant improvement in the country's foreign trade balance in 1979 and 1980.

"Just like our entire public opinion, the industrial workers also value highly the agricultural results achieved last year under difficult weather conditions. In addition to insuring the country's food supply [these results] also greatly contributed to increasing our export base. I can also tell you that industrial production is conforming better now to the market's needs, the number of unprofitable products has decreased, and the product structure is changing faster now.

The producer price system and income regulations introduced in 1980 better translate the severity of the world market for the [Hungarian] industry. In the present world economic situation we at the ministry and at the enterprises are re-learning the old lesson through hard trials—which [lesson] the Hungarian industry used to know well—that only modern, good quality products can be sold, that the customer expects to be supplied with spare parts and service, and that he does not tolerate delays in delivery. This represents a problem for us today mainly in the export area. The interests of our working people demand that these otherwise normal demands prevail on the domestic market between industry and the buyers, and also in the relationship of industrial enterprises among themselves.

Today these requirements still place many enterprises into difficult situations at times because some of them have not yet succeeded in conforming to a sufficient extent to the new, higher requirements. However, the economic processes seen

in the first 5 months of this year also prove that more and more of them are succeeding in this.

After last year's decline this year's industrial production is livelier, though not as lively for the time being as had been planned. In the first 5 months of the year it surpassed last year's level by two percent. Production varied in the different branches. In agreement with our intentions the increase of production is larger where sales are also favorable, and production decreased where demand was also softer. Production increased in the chemical industry, electrical energy, machinery industry and light industry. There were no problems in energy production and supply. The backlog of orders in metallurgy is low, thus we must expect a decrease of production for the entire year. So far the machinery industry also does not have enough orders to take the planned significant production increase for granted. However, the fact that some of the products we offer for sale are still not modern enough, obviously plays a role in this.

Productivity progressed well, increasing by about 6 percent which is faster than the growth of production. Specifically, more product was produced by 31,000 fewer people."

After this the minister spoke about enterprise investments, then about export, then continued this way:

"Last year we were also able to maintain the policy of solidifying the standard of living already achieved. The wage improvements we made this year at the enterprises also show that we will successfully implement the 5 percent wage increases projected in the 1981 national economic plan. We will not exceed the planned 4.5 to 5 percent consumer price increases which also include the just announced meat price increases."

After this he spoke about what has to be done in connection with introducing the five-day work week, then about the new organization, functions and efforts of industrial management. He mentioned that the single industrial portfolio [ministry] was terminated in Hungary in 1949 and since then the directing was done by from two to five industrial ministries, by three in recent years—which was still too centralized. The current decision is the most significant one in 32 years in the central institutional system of directing the industry, and it brought about one of the radical changes of the last decade in the organization of the national administration. This is justly considered to be an organic part of the reform process in economic management which began in 1968. In our opinion, creating the Ministry of Industry will make it easier to adjust the methods of management to the requirements of our age, while preserving the realistic values. The Ministry of Industry had to accomplish three things simultaneously during the last half year: create the new organization and abolish the old ones; insure the continuity of industry's management; start defining and implementing the new tasks.

The new organization was created in the first two months of the year and began to operate. The number of people employed is exactly half of the number employed by the three previous ministries. I wish to observe here that—even though this was not the main goal of the reorganization—this saves about 50 million forints

per year for the national budget. Of course, elimination of the three ministries did affect some human lives, and even caused temporary restlessness. Finally, the situations of all people were put in order in the spirit of socialist humanity—even of those who were not included in the new organization.

Both in the domestic economic life and in the international economic relationships the industrial portfolio endeavored to insure continuity, to implement the earlier decisions, to continue the dialogues we were involved in, and to solve the problems which came up in the interim, during the time of reorganization. The Ministry of Industry had to organize its contacts with the other organizations of national administration, with the nine branch trade unions, and with the state and social organizations in Budapest and in the *megyes*. The relationship between the ministry and the enterprises is in the process of developing, and is lively and colorful already—though, of course, it is also riddled with arguments.

In international activity the portfolio paid particular attention to continuing the close economic cooperation developed earlier, primarily with the Soviet Union and the other socialist countries.

In the opinions of the leading bodies of the party and the government, the reorganization was successfully implemented in such a way—and our own collective (i.e., the ministry) also shares this opinion—that no special confusion was created in the economic life. The support we received in the form of confidence, understanding, and encouragement from the political and social organizations, as well as from the public opinion and from the press, and also from the fellow organs (ministries), contributed greatly to the continuity. Thank you everyone for all of this.

Thus we consider the work of reorganization to have been completed, and we will now concentrate our efforts on doing our job. The main job of the Ministry of Industry is to see to it that industry contributes to increasing the national income on as high a level as possible, satisfy the domestic needs, and increasingly improve the country's foreign trade balance."

The minister spoke in detail about implementing the development programs approved by the government and [implementing] the new central development programs, and about working out [the details] of these, then he spoke about creating the conditions which will aid the technological progress. He pointed out that the organizational frameworks of industrial enterprises must also be shaped in the direction of better advantage to technological progress. It is well known that the bulk of industrial production is concentrated in a few dozen major enterprises, and we have few medium-sized and small enterprises.

"We consider it important to continue to modernize the organizational framework of the enterprises"—the minister said. "The main criterium in this activity is development of the ability to adjust with flexibility regardless of the size of the enterprise. We are convinced that in the near and also in the more distant future one of our main tasks is to develop this ability in the organization.

Development of the most favorable frameworks at the enterprises and at the organizations is not a question of ideology but an important daily question of economics.

At the same time we cannot lose from sight the fact--and this cannot be a subject of debate--that the role of the large enterprises and [the role] of the workers of large enterprises continue to determine the solidity and strength of the socialist system. However, this does not mean that the political significance of the large enterprises can be viewed separately from the profitability and effectiveness of these large operations. We must do everything to make our large enterprises profitable, but not by means of special considerations favoring them but rather as the realistic result of the enterprise's work, using the actual advantages of large-scale operation.

Improving the quality of our cadre work is an important condition of achieving greater economic results. How well the enterprise entrusted to them withstands the test of international comparison, is a measure of management's work. We now have many tremendous economic managers. They excel not only in performance and technical growth measurable by numbers, but also in making their service to the interests of the workers the substance of their lives. Because of this very thing they are able also to mobilize those around them to great achievements. The Ministry of Industry must endeavor to place as many such leaders to head industrial enterprises as possible."

In closing, Lajos Mehes spoke about the division of work between the enterprises and the ministry, or about enterprise independence, to use the usual expression.

"In the last 13 to 14 years the enterprises have outgrown their "adolescence" and became mature, independent "adults." They have again proved their ability to do independent work since the enterprises were not bothered by the reorganization; they did not miss receiving less directions for a few months. On the contrary, it seems they were even a little bit glad of their greater independence. The Ministry of Industry will continue to build on the maturity of the enterprises, and we will not try to bring those tasks under our authority which the enterprises can handle by themselves. We must be on guard to insure the conditions of independent work for them, and also to make sure that the interests, efforts and decisions of the enterprises coincide with the interests of the national economy, of the entire society.

In my opinion the correct answer to the question "Whom does the Ministry of Industry represent?" is that to the enterprises and institutions it represents the government, and in the government it represents the industry. This appears to be self-evident, yet emphasizing this content is justified. Two intentions are expressed together in this thought: strengthening the unified representation of the central will, and the need for increased governmental assistance to industry, to technological progress.

In the name of the Central Committee of the Hungarian Socialist Workers Party as well as my own behalf, I accept the proposed law concerning the final accounting of the 1980 budget and the implementation of the 1976-1980 financial plans of the councils, and I propose that it be accepted. I feel good about it



because the results of our people's work, industriousness and ability are expressed in it, and they prove that the workers, the peasants, and the intellectuals all participate in solving the difficult economic tasks, in carrying out the policies of the party and of the government"--Lajos Mehes said in conclusion.

8584

CSO: 2500/288

## MINISTER DISCUSSES SUPPLY OF AGRICULTURAL MACHINERY

Warsaw TRYBUNA MAZOWIECKA in Polish 13 May 81 p 3

[Interview with Stanislaw Wylupki, Minister of the Heavy and Agricultural Machinery Industry, by Wieslawa Laskowska; date and place of interview not given]

[Text] [Question] You took over the direction of the department in February, when the government announced mobilization of energy with the slogan "Everything for Agriculture." You were given a hard row to hoe...I ask you, therefore: What would you like to guarantee agriculture in the near future?

[Answer] I will say this: As of today, I cannot guarantee complete satisfaction of agriculture's needs for the machinery and equipment which, according to the calculations of Agroma, must be delivered at a cost of approximately 60 billion zlotys. However, this year's plan anticipates agricultural equipment production worth 33 billion zlotys. We want to improve this situation. That I guarantee.

[Question] Farmers today are not looking for promises, but for concrete action. What are the first steps you will be taking?

[Answer] We are introducing changes in the production structure in order to provide more equipment to individual farms. We are also renewing the previously discontinued production of machines and equipment, such as, among others, spring-tooth harrows, cultivators and plows. Furthermore, enterprises whose activity was heretofore limited to production of capital goods will also be producing agricultural equipment. I am dealing in specifics: This year the Plock Agricultural Machinery Factory will decrease the number of grain combines produced and will deliver 5,000 tedders, 1,200 caterpillar-type grain tractors and 500 drying kilns with floor ducts. The factory in Poznan will limit its production of sheaf binders by 2,500 units and green-fodder cutters by 1,000 units. The factory in Strzelce Opolskie will produce fewer two-track combines for potato harvesting, but will produce about 4,500 horse-drawn, and about 3,400 tractor-drawn potato lifters. All in all, farmers will receive over 600 million zlotys' worth of additional equipment. Furthermore, 33 enterprises will undertake the production of approximately 40 types of tools and machines of which there are shortages, including spiked and spring-tooth harrows, milk refrigeration equipment, wheel barrows with tires, etc. In all, equipment worth a billion zlotys will be produced.

[Question] But in the country there are no pitchforks or shovels...

[Answer] I admit that this is an embarrassing matter which is discussed at sometimes very high levels. But this is, after all, the simplest equipment, of which there should be no shortage. It also includes ordinary buckets, conveyers and chains. We want to deal with this as soon as possible.

[Question] Sir, tens of thousands of tractors did not go out into the fields due to a lack of spare parts. Doesn't that make you lose sleep?

[Answer] To tell the truth, since taking over the department for the manufacture of heavy and agricultural machinery, I have been getting very little sleep, and I am losing sleep because of the knowledge that the public's feelings are justified and correct. Thus, I have assigned to myself and others the task of making sure that by 1983 we can fully satisfy the rural areas' spare parts requirements. This is not wishful thinking. To this end, we are undertaking work together with other industries, such as machinery, chemicals, light industry and foreign trade. The analysis done concerning our ability to increase production of replacements parts has resulted in the following activities:

First, we are making changes in this year's planned expenditures for products and raw materials of which there is a shortage in order to increase the supply of spare parts, and at the expense of other recipients.

Second, together with the voivodships, we are taking advantage of the initiative of many enterprises which are limiting their production of capital goods in order to produce parts and, where possible, agricultural equipment.

Third, we are creating better conditions for expansion of parts production in the cooperative and crafts sectors, including guarantees that they will receive the necessary materials.

Nevertheless, I am completely aware that it is essential in the very near future to complete many capital investments which have been begun, particularly for modernization, and to build new means of production in the chemical industry, without which it will be impossible to meet agriculture's expectations, even for just tires.

[Question] Weren't they temporarily met by the Ferguson licensing arrangement? What will you do with such a troublesome legacy from the 70's?

[Answer] A lot has already been written on this subject. I feel that that could have been differently solved, for instance by cooperation with some of the socialist countries, and I am thinking of Czechoslovakia, with which such cooperation, maintained to this day, was already sufficiently advanced. However, we are faced with an accomplished fact. The license was bought and enormous areas of the Ursus Plant were equipped with machines and installations from the West. Tens of billions of zlotys were spent and there is no turning back, although it's still a long way to Ferguson production, because, among other reasons, the degree of capital investment in cooperating enterprises has not been synchronized with the existing range of task completion at the Ursus Tractor Industry Association.

[Question] Are we therefore threatened with new expenditures?

[Answer] Correct. Further expenditures are required in order to bring this matter to a conclusion. Will it be a lot? Probably once again as much. The capital investments were not made in a harmonious manner. Production of the tractor engine, chassis and body, as well as almost the entire drive system, was taken care of, but not such important matters as forged objects and cast-iron molds, or the entire infrastructure for energy, gas and water for Ursus enterprises and the foundry built in Lublin.

Nor is there assurance of delivery of a variety of items from the machinery, chemical and other industries. This year we are getting ready for production of the next group of engines made under license, but they will be mounted in Ursus tractors. Working out the entire Ferguson matter requires, first of all, time, and second of all, expenditures. I imagine that 1983 could be the year we attain the ability to implement the plans. However, this is dependent on expenditures, and the decision in this matter has not yet been made. The Presidium will issue a statement about it.

[Question] Last question: The general opinion is that the prices of agricultural machines are high. What do you think?

[Answer] In my opinion, the prices of agricultural equipment should be considered from at least two points of view: The cost of manufacture and the profitability of using specific machines on individual farms. The objective and reliable evaluation of the effect of costs on agricultural machinery and agricultural yields will have to be made in the framework of the economic reform being prepared, or perhaps even before. I believe that the reform should create conditions for more effective farming and reduction of its costs. Today, with the fixed prices of supplies and the cost-accounting system used, the price of many agricultural machines is lower than the cost of manufacture. For instance, the price of horse-drawn rakes is 3,900 zlotys, but the cost of materials is 4,140 zlotys. A horse-drawn grain seeder is sold for 4,888 zlotys, but it costs 5,269. A P-3 disc harrow is priced at 42,300 zlotys but costs 48,994 zlotys to manufacture. I can give more such examples. Therefore, everything is disturbed by our country's unrealistic, outmoded price structure.

[Interviewer] Thank you for the conversation.

9461

CSO: 2600/233



## PROFESSOR STRESSES NEED FOR AGRICULTURAL REFORMS

Lublin SZTANDAR LUDU in Polish 15, 16, 17 May 81 p 3

[Interview with Professor Andrzej Stelmachowski, Director of the Institute of Agriculture Law of Warsaw University by Jerzy Olbrycht: Only Reforms Will Yield Good Harvest, date and place not specified]

[Text] [Question] Professor Stelmachowski, you once said that despite many difficulties, Polish agriculture can swiftly get to its feet and feed the country well and, at the same time, export a surplus of agricultural products, as it was the case in the rather remote past. Are you still of the same opinion?

[Answer] Yes, I fully support this opinion. Polish agriculture can make the breakthrough in a relatively short time, can feed the country, and change it from an importer of food to an exporter; however, it requires radical and courageous reforms, changing the position of agriculture in the national economy, namely the position of the farmer-producer in the society.

[Question] What reforms do you have in mind?

[Answer] In the first place, it is a radical reform of economic relations between agriculture and industry, or more generally, between agriculture and the nonagricultural economy as a whole. A fundamental change in the system of prices constitutes the starting point. Our general system of prices of agricultural and industrial products corresponds to a typical situation in developing countries—cheap food and expensive industrial products, expensive industrial means of production for farmers. However, since we are not a developing country any longer, this situation causes many deep deficiencies in agriculture. In the first place, not enough money is invested in agriculture. As the minister of agriculture once confirmed, 3.6 percent of the industrial potential produces for the needs of agriculture, whereas in other developed countries 12-15 percent of industry works for agriculture. What is worse, due to the erroneous proportions of the prices, farmers' incomes are always lower than those of other occupational groups, which affects production and causes the farmers' leaving their jobs.

[Question] What else should be changed?

[Answer] Swift and radical measures are necessary. The cost of agricultural products must be raised by 100-150 percent, food must be more expensive, and the

nonagricultural population must be compensated by higher salaries and frozen prices of industrial products for some time. This is the only solution.

[Question] The purchase costs of agricultural products are increasing and are expected to increase even further...

[Answer] Yes, but this is not the main problem. What is little known and appreciated is the fact that the categories of "factory prices", based on the calculated costs of production, are not employed in agriculture. Although increasing, the purchase prices of agricultural products lost any relationship to the production costs long ago, and therefore, they do not function in the economy in a rational manner. Due to several factors, mainly the lack of fodder, the rise of the purchase prices themselves bring about fatal actions in this situation; herds of cattle are sold, the number of producers is reduced. It is necessary to make an agreement with the farmers concerning profitable prices, calculated from the already mentioned production costs, and to act quickly; the new prices, effective September 1, 1981, should be announced by now, in order to encourage farmers to raise cattle.

[Question] According to your opinion, are farmers already convinced about the prospects of individual farming?

[Answer] This is another essential question, apart from the prices. I very much approved of the declarations, namely that of first secretary Kania, concerning the general attitude toward individual farming and the equality of rights for the agricultural sectors. It is now very desirable that the party congress confirm clearly that individual farming constitutes a permanent element in our system, and it should also be incorporated unequivocally in the Constitution. Since, under the present system, the farmer is bound so firmly to the national economy, he cannot be regarded as a capitalist. He belongs to the world of work. Hiring labor forces for individual farms is limited by margins. In the first place, however, it is necessary to draw essential conclusions from the fact that in the light of 30 years of experience, individual farming has proved to be most efficient. The recognition of this permanent position in the system and its prospects would be important ideologically; it would enhance the confidence of the farmers, would encourage investments, and would make farming interesting to young people.

[Question] What do you understand by equality of sectors?

[Answer] The efficiency of all sectors must be evaluated by economic calculations. The equality of sectors means to eliminate the privileges of the nationalized sector in providing it with the means of production, and above other things, to eliminate the artificial and economically unjustifiable difference payments in the merchandize production of the state sector, relatively to the netto final production of the cooperative sector, which is demoralizing and counteracting rational management. Also, it means social equality, that is to announce the family security payments and contributions for children, medical financial support, and the like, at least for the future, since we are not able to implement these things today.

[Question] How about pensions for farmers?

[Answer] In this respect, farmers also demanded equality with cities. It is surprising that in certain regions equal pensions are demanded for farmers and their

wives without any regard to the amount of the production of the farm. Research should be conducted in the country investigating the generally spread egalitarian tendencies in the area of pension requirements.

[Question] How to guarantee the permanent equality of the farmers' rights and their firm position relative to the state?

[Answer] This is yet another fundamental question. For instance, one of the ways is that prices and contract conditions will result from negotiations with a reliable representation of the farmers and will not be determined by a one-sided decision of the minister or the government. The negotiations with farmers must decide about a permanent method for the government as how to deal with the farmers and their economical and social tasks.

[Question] What about cooperative farmers?

[Answer] In the first place, it is necessary to debureaucratize radically the system of the management of the state farms. In the second half of the seventies, an absurd system came in existence, namely organizing large integrated state farms, these were multiplied. Each voivodship administration officer, whose voivodship had even as many as 2-3 integrated farms, wanted to have a cooperative farm of his own to have the opportunity to control it. This is absurd. If state farms are supposed to develop rationally and freely, they do not need any bureaucratic system of management.

[Question] Is it not a more general question of the confidence in joint forces in farming?

[Answer] Obviously. There are tremendous, dynamic forces in the village, which only require to be set bravely in motion; full confidence should be placed in farmers and their good will to cooperate actively. My deep belief stems from the conviction that full responsibility of farmers for their own affairs can bring about a break in the farmers development even in a relatively short time, and thus sufficient food supply for the country can be ensured.

9814

CSO: 2600/234

## DEMOGRAPHIC DATA ANALYZED, POLICY DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 23, 5 Jun 81 and No 25, 19 Jun 81

[Article by Dr Vladimir Trebici]

[No 23, 5 Jun 81 pp 11-12]

[Text] The celebration of 60 years since the creation of the Romanian Communist Party is an occasion to also analyze the road traveled by Romania's population, the quantitative and qualitative changes in close relationship with the profound changes which Romanian society has seen during the years of socialism. In this context there is particular importance in bringing out the party's demographic policy and in evaluating its effectiveness, especially since the population--"the most valuable good of society"--has been in the center of the strategy of development, both as the final beneficiary of all the activity taking place in society as well as as the main force of production. Demographic policy, as an integral part of social-economic policy, has sought to influence the demographic characteristics with regard to the basic options of socialist society. Such an analysis has in mind the relationship between quantity and quality, the population's position as a relatively independent demographic system "intersected" with the other systems in society, the change in the population's characteristics in the modernization process of society, the development of demographic transition under the specific conditions of our country. A retrospective analysis of the population must be continued with a prospective evaluation of the main trends.

## Dimensions of the Demographic Picture

We shall proceed from several main reference points which permit us to outline the demographic situation of Romania in the last three and one-half decades. On 1 January 1981, Romania's population numbered 22.3 million residents, with a density of around 94 residents per square kilometer. In number, Romania is ninth in the European countries and 33d among the 126 countries having a population of more than 1 million. Since Romania's population was 15,744,000 on 1 January 1946, we see that in these 31 years the total increase was approximately 6.55 million or 187,000 persons annually, which corresponds to an average annual growth rate of 1 percent. The first remark is that from the viewpoint of demographic rise, Romania fits into the type of country with a relatively modest growth rate. This finding is confirmed by the main demographic variables--natality and mortality. More precisely, Romania's population is part of the European model, with some particular features given to it by its history and culture.



The demographic increase mentioned is the result of an evolution in which we will detect often contradictory trends which are characteristic of the modernization of society.

Proceeding from the figures presented in Table 1, let us examine first the natural movement of Romania's population: natality, mortality and natural surplus. Natality has followed a systematic trend of reduction which began soon after the world war. Our attention is held by the fact that in the 1961-1965 period the reduction was very powerful; the measures adopted at the end of 1966--restrictions in the practicing of abortions--had as a result the recovery of natality, true, for a relatively short period.

Table 1: Demographic Rates in the 1936-1940 and 1946-1980 Periods  
(Per 1,000 Residents)

<u>Period</u>	<u>Live Births</u>	<u>Deaths</u>	<u>Natural Surplus</u>	<u>Marriages</u>	<u>Divorces</u>	<u>Deaths under 1 year per 1,000 live births</u>
1936-1940	29.2	18.9	10.3	8.9	.71	174.3
1946-1950	25.2	16.5	8.7	11.2	1.30	150.3
1951-1955	24.8	11.4	13.4	10.0	1.49	96.9
1956-1960	21.6	9.6	12.0	11.2	1.84	77.5
1961-1965	15.3	8.6	7.2	9.3	1.91	96.4
1966-1970	22.5	9.3	13.2	7.7	.45	51.9
1971-1975	19.3	9.4	9.9	8.1	.84	38.0
1976-1980	18.9	9.8	9.1	9.0	1.51	30.7

With regard to mortality, the reduction was spectacular: In 1956-1965 its level was nearly half of the prewar level. The slight rise in the recent period is due to another process which Romania's population saw, that is, demographic aging. However, if we bear in mind one indicator which is not affected by the population structure by ages, that is, the hope for life at birth or average life ("average length of life"), we find that the reduction in mortality is a systematic trend. From around 42 years of age in the 1945-1947 period, nearly the same as in 1930-1932, the hope for life at birth had reached 63.17 years in 1956, being approximately 70 years of age (67.42 for men and 72.18 for women) in 1976-1978. The gain obtained in a relatively short period of time truly is great: 70 years. Romania is in the category of developed countries, which says very much for the progress recorded by our country at all levels: economic, social, cultural and so forth.

What significance does this evolution of natality and mortality have for the natural increase in population? The most remarkable fact is that whereas in the prewar period a natural surplus of 10 per 1,000 residents (or a growth rate of 1 percent) was achieved under conditions of high natality (around 29 percent) but also of high mortality (around 19 percent), in 1971-1975 the same result was obtained at substantially lower levels: a natality of 19.3 percent and a mortality of 9.4 percent, with a natural surplus of nearly 10 percent. This is one of the characteristics of the demographic transition in Romania, which we shall examine later. The role of mortality and of natality in the demographic increase was different in the subperiods of 1946-1980: Until 1966 the greatest contribution to the natural surplus was due to the faster reduction in mortality than reduction in natality; in recent years the growth factor for the population has been natality, to which we add longer life as a result of the increase in average length of life. As a result the nature of the population's reproduction has changed. Since we are referring to

mortality, this is the place to point out that infant mortality saw a very fast reduction: With the level of 29.1 deaths under a year of age per 1,000 live births, by 1980 this important indicator fell six times compared with 1938. The reduction in mortality reflects the fulfillment of a very important goal of demographic policy.

#### Quality Changes in the Population's Structure

Under conditions where the population increase was relatively low, the most important processes are those of a quality. Their importance, as will be seen later, is different. Entering into this category are the change in proportions of the population according to age and new size of the family. Under the combined effect of lower fertility and rise in average length of life, the proportions between the young, adult and old population have begun to change with regard to the rise in percentage of elderly people and reduction in the relative importance of young people. The process, common to all the European countries, is the demographic aging of the population. As a long-lasting trend, the aging of Romania's population is of a somewhat more recent duration, however the rate has been rather rapid in recent decades. Considering as "young" population the 15 groups between 0-14 years of age, the "adult" population as 45 groups between 15-59 and the "elderly" population as groups aged 60 and over, the changes in the population's structure according to age may be seen in Table 2.

Table 2: Structure of Romania's Population by Age Groups, Average and Median Age and the Relationship of Dependency of Age

	Censuses			
	1930	1956	1966	1977
Total population	100.0	100.0	100.0	100.0
0-14	33.5	27.5	26.0	25.4
15-59	59.1	62.6	61.7	60.1
60 and over, of which	7.4	9.9	12.3	14.5
X are over 65	5.0	6.4	7.8	10.3
Average age	26.66	24.99	30.50	30.72
Median age	22.73	24.99	30.50	30.72
Ratio of Dependency*	692	597	621	662

\*Population aged 0-14 and 60 and over per 1,000 persons aged 15-19

According to the figures in the table, in the nearly five decades examined, the portion of population aged 60 and over rose from 7.4 to 14.5 percent, that of the population aged over 65 doubled, the average age rose by nearly 6.5 years and the median age rose by 8 years. With regard to the ratio of dependency of age, this recorded a systematic increase, however with the difference that compared with the past the "pressure" of the elderly population on the adult population rises and the "pressure" of the young population is lower. In 1930, the portion returning to the population aged 0-14 at a ratio of dependency of 692, very high, was 567 (82 percent of total "pressure"), while the portion of the elderly population was 125 (18 percent of the total), while in 1977, when the ratio of dependency was 662, the portion of the young population was 422 (64 percent), while it was 240 (36 percent of the total) for the elderly population.

We should recall the demographic aging is more advanced among the women; also, the difference between the women's average length of life and that of the men increases

systematically, currently being 4.8 years compared with 3.5 years in 1956. Also, the rural population is more aged than the urban population, despite the fact that natality in the rural environment is higher than in the cities. The reason is the migration from the village to the city, which "depopulates" the village of the youth elements in particular. The population of certain historic provinces such as Banat, Crișana and Maramureș is much more affected by aging than Moldova.

Just as the reasons for demographic aging act throughout a prolonged period like a secular (in the statistical sense) trend, the population's getting younger can only be achieved during a long period of time--several decades. What is important for social-economic and demographic policy is that there should be a strict evaluation of the consequences and implications of this process. There are many of them and they affect the most varied systems in society: the educational system, the economic system, the health system and so forth. The need for schools, housing, food, places of work, health services are changed, to mention only the ones which can be given a value in size. For example, the number of social security retirees rose from 1,116,000 in 1950 to approximately 1.8 million in 1980, which poses important problems for certain economic processes such as the redistribution of the national income and the "task" of the active population connected with establishing a pension fund.

Another qualitative process, against the backdrop of demographic and social rise, is the new size of the family and reshaping of it. As a result of the reduced fertility of the population on one hand and the change in functions of the family on the other in a very dynamic society, the family has moved from the extended type to the nuclear family, at the same time having its size lowered. Whereas in 1930 the total fertility rate was around 4 children per woman during her entire fertile life, in recent years this indicator has been 2.5 children; at the same time, the average number of members belonging to one household, which in the past was 4.5 persons, has fallen to 3.2 persons according to the last two censuses. The traditional family, where 3-4 generations lived together, today is seen less frequently, with their place being taken by the nuclear family. This trend is facilitated to a great extent by the rise in standard of living, improvement in housing conditions but also by cultural and psychological factors: The young married couple separates from the old family as far as housing is concerned, in order to lead their own life. Of course, the process is a complex one and the causes and consequences are varied and only interdisciplinary studies with the priority participation of sociology and political economics can return a dimension to the whole process. But starting now it is possible to keep the importance of the family from strictly a demographic view point for the function of procreation and, as such, one can understand why consolidation of the family is such an important goal of the party's demographic policy.

Whereas it is more difficult to change the population's demographic characteristics--we know the so-called demographic inertia--in exchange the economic educational and social characteristics can be changed much faster with the condition that far-reaching strategies be applied. The case of Romania confirms this, as can be shown by the changes which have occurred in the "stock of learning" in the active population, in urbanization and in the population's social structure.

Let us begin with the population's level of instruction as it was known from the population censuses of 1956, 1966 and 1977 (see Table 3). Before bringing out the importance of these figures, let us recall that in the 1948 census the registered number of illiterates was nearly 3.2 million, representing 23.1 percent of the total number of persons aged 7 and over; in the 1930 census, this number was 4.4 million, a proportion of 38.2 percent.



Table 3: Population Aged 12 and Over According to Type of School Completed

Years	Population aged 10 and over	Higher education	Percent	Secondary education	Percent	Elementary education	Percent
1956	13,405,630	213,723	1.6	628,383	4.7	12,653,524	93.7
1966	15,191,248	328,241	2.2	1,012,025	6.7	13,850,982	91.1
1977	16,934,742	612,303	3.6	1,788,345	10.7	14,534,094	85.7

The increase in the number and proportion of persons with higher and secondary studies was produced at a very fast rate: The number of those with higher studies rose 53.6 percent in 1966 compared with 1956, and in 1977 it was 2.9 times greater than in 1956. The number of those with secondary studies rose in similar proportions. Whereas the population aged 12 and over rose 25.5 percent during the 1955-1977 interval, the stock of higher and secondary education rose 185 percent in the same period. Whereas Romania is in the category of developed countries with regard to the number of pupils and students, the situation still is that of a country with average development with regard to the number of the population with higher and secondary studies, despite all the clear progress: Of 100 persons aged 12 and over, 14.2 had higher and secondary studies, while 85.7 percent have an elementary level of instruction. Clearly, however, compared with the past, the scope of the progress is remarkable. Also, other changes which have occurred in the structure of the population also prove the scope, for example, from the viewpoint of the area of employment-- problems which we shall examine in the next issue.

[No 25, 19 Jun 81 pp 20-21]

#### [Text] Widespread Changes

Important qualitative changes characterize the country's active population. They refer both to the rates of activity and distribution of the active population by sectors as well as to the "stock of learning." First let us note the high degree of employment of labor resources. It is estimated that approximately 82 percent of the population aged 15-60 is employed in one of the branches of the national economy. With regard to the proportion of the active population in total population of Romania, in various years it has wavered around 50 percent. The increase in active population from the 1966 census to the 1977 census is relatively modest and explained in particular by demographic and educational factors; in exchange, the changes in rates of activity and distribution by sectors are clear and pronounced qualitatively (see Table 1).

Table 1: Activity Rates of Male and Female Population in 1956, 1966 and 1977 Censuses

Age Group	Male (%)			Female (%)		
	1956	1966	1977	1956	1966	1977
Total	67.2	60.7	55.2	52.7	48.1	45.1
14-19	82.2	40.3	32.0	75.0	42.8	27.6
20-24	94.5	90.8	87.1	78.0	74.3	75.6
25-29	97.6	97.2	97.0	74.2	78.5	83.1
30-39	98.2	98.3	87.5	73.5	78.6	83.6
40-49	97.8	97.4	94.8	75.4	77.0	79.6
50-59	96.5	94.0	88.8	72.6	71.3	69.7
55-59	94.1	89.6	78.7	67.7	58.8	52.5
60 and above	77.5	50.5	25.1	46.1	28.2	15.5
(plus those failing to declare)						



The reduction in gross rate of activity, both for the male and female population, expresses a positive trend: The proportion of active population aged 14-19 is falling as a result of the broader and broader inclusion of the youth into the school system and also the proportion of active population aged 55 and over is lower since they prefer to retire and enjoy a pension legally. Another characteristic of the active population is the high degree of female participation in social work: 45.1 percent of the total female population and between 70-84 percent for the ages of 20-55. Both the rise in level of instruction as well as high degree of employment of the female population will remain as potential factors affecting fertility for demographic policy.

The spectacular qualitative changes took place in the structure of the active population as we see from its distribution by sectors (Table 2).

Table 2: Employed Population by Primary, Secondary and Tertiary Sectors (%)

<u>Sector</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>
Total	100.0	100.0	100.0	100.0
In primary	74.3	65.6	49.3	29.3
In secondary	14.4	20.0	30.8	50.0
In tertiary	11.3	14.4	19.9	21.0

Note: The primary sector: agriculture and silviculture  
 Secondary sector: industry and construction  
 Tertiary sector: other branches of the national economy

As we see from the table's data, the increase in percentage of population employed in industry and construction from 14.4 percent (1950) to 50 percent (1980) is sufficient to show one of the dimensions of the modernization of the Romanian economy, directly connected with the country's industrialization. Of course, the restructuring of the employed population was also made possible on the basis of the intense creation of new places of work: In the 1950-1980 around 5.2 million new jobs were created, of which nearly 2.5 million were in industry. According to some estimates, the cost of creating a job in industry in the 1951-1955 was approximately 150,000 lei; in the 1976-1980 it rose to around 750,000 lei.

The changes which occurred in the social structure of the population were of particular political, social and economic importance. (Table 3).

Table 3: Total Population by Social Categories (%) in the 1956, 1966, 1977 Censuses

<u>Categories</u>	<u>1956</u>	<u>1966</u>	<u>1977</u>
Total	100.0	100.0	100.0
Workers	23.7	39.9	54.0
Intellectuals and office workers	13.3	12.3	13.2
Cooperative member peasants	7.2	38.6	23.0
Peasants with individual plots	51.1	5.2	3.8
Cooperativized tradesmen	1.1	2.3	3.2
Private tradesmen	2.6	.9	.6
Others	1.0	.8	1.9

The absolute and relative increase in the working class undoubtedly is the most striking feature of the social changes in the three and one-half decades of Romania's modern history.

Without our proposing an exhaustive inventory of the qualitative changes in Romania's population, this is the place to at least mention urbanization, with its consequences and implications. In the 1912 census, the proportion of urban population (municipalities, cities and suburban communes) was 16.3 percent, in 1930 it was 21.4 percent, in 1948 it was 23.4 percent, reaching 47.5 percent in 1977. Such a rise means a very intense migration from village to city, the creation of new jobs in the secondary and tertiary sectors and, of course, reshaping of the cities--as well as of the villages--within a broad action for systematization of the national territory, with goals which closely concern demographic policy.

#### From Isolated Measures to a Coherent Demographic Policy

The history of demographic policy in Romania demonstrates that although man and the population have been in the center of concern, particularly in the strategy of raising the material and spiritual standard of living, demographic policy as a system of measures and goals for the first time was formulated in the Romanian Communist Party Program adopted at the 11th party congress.

In an overall form, Romania's demographic policy has the following goals: a) Systematically reducing morbidity and mortality, creating conditions for the population's health and, on this basis, increasing the average length of life; b) Stimulating natality through economic, legislative and educational means, which means a pronatal policy; c) Protecting the family as the basic nucleus of society and consolidating it through various means society has available so that it effectively carries out the jobs it is invested with, particularly procreation and education of the new generations; d) Providing a normal demographic increase considered necessary in proportion to the national, social and economic goals of the country; e) Providing a correct distribution of the population according to age, with regard to getting younger demographically and a balance between the young, adult and elderly population; f) Providing a rational distribution of the population by territory, implementation of urbanization in accordance with the characteristics of the socialist society, determination of migratory flows which are rational from an economic and social viewpoint. We note that each of the goals enumerated is in the orbit of a strategy (health, educational, economic, territorial systematization), for the accomplishment of which large funds from society are allocated. Let us also mention that some of these goals have a numerical expression and others can be deduced from economic, social and demographic prognoses. For example, the reduction in mortality must lead to an increase in the average length of life which by 1985 should be 71 years (for both sexes). The population should reach 23.4-23.7 million by 1985 and around 25 million by 1990, which means a natality higher than that recorded in recent years and a stationary mortality, or even one which shows a slight reduction. With regard to urbanization, the balance between the urban and rural population and the ratio between the various types of cities according to size, these goals directly or indirectly are in the plan for systematization of the national territory.

From an historical viewpoint, demographic policy--as well as social-economic policy in general--during an early period placed the emphasis on quantitative aspects, later moving to qualitative goals in the general framework of action for a new quality inaugurated by the 1976-1980 five-year plan. Whereas a certain number for the population or a certain number for new generations, for example, are important, what is

incomparably more important is the quality of the things which mean health, harmonious physical and mental development, improvement in educational characteristics, providing a quality of life for the family, the ecological environment, the social environment.

### Stimulating Natality

Among all the demographic goals, the most important one--also the most difficult to influence--is natality. Stimulating natality is not reduced to means such as state allocations for children--around 4.5 million children benefit from allocations--or aid for families with many children and other assistance. It is particularly important to change the population's demographic behavior, in the sense of asserting the choice for a larger family than at present. We shall not enter into an analysis for the motivation of demographic policy, but we will mention that it is of a national, social, economic, educational and psychological nature. In the last analysis, the problem is posed of changing a long-range trend, of halting the reduction in natality and raising it to a level of approximately 22-23 live births per 1,000 residents.\* Through its specific nature, natality--as well as other demographic phenomena--can only be changed through complex measures forecast for a long period of time; measures of the moment--our experience clearly has demonstrated this--can only have short-lived effects, as was the case with the legislative measures at the end of 1966 on abortions.

Let us attempt a prospective evaluation of the two components of natural movement--natality and mortality. In accordance with a principle of the prospective, in order to do so we must take a period equal to the periods for which the retrospective analysis is being made, which in our case means the 1971-1980 and 1981-1990 periods (see Table 4).

Table 4: Live Births, Deaths and Natural Surplus in 1971-1980 (rates per 1,000)

Years	Live Births		Deaths		Natural Surplus	
	Absolute	Rates	Absolute	Rates	Absolute	Rates
1971	400,146	19.5	194,306	9.5	205,840	10.0
1972	389,153	18.8	189,793	9.2	199,360	9.6
1973	378,696	18.2	203,559	9.8	175,137	8.4
1974	427,732	20.3	191,286	9.1	236,446	11.2
1975	418,185	19.7	197,538	9.3	220,647	10.4
1971-1975	2,013,912	19.3	976,482	9.4	1,037,430	9.9
1976	417,353	19.5	204,873	9.6	212,480	9.9
1977	423,958	19.6	208,685	9.6	215,273	10.0
1978	416,598	19.1	211,846	9.7	204,752	9.4
1979	410,603	18.6	217,509	9.9	193,094	8.7
1980*	400,557	18.0	232,097	10.5	168,460	7.5
1976-1980	2,069,069	18.9	1,075,010	9.8	994,059	9.1

\* Provisional figures

The reduction in natality and slight increase in mortality had as a result the reduction in natural surplus: In 1980 it was 168,460 or 7.5 per 1,000 residents, one of the lowest figures.

\* It would be necessary to use more perfected indicators, but for our demonstration it is enough to resort to gross natality rate.

In 1985 the population should be 23.4-23.7 million, while by 1990 it should be around 25 million. In order to reach these figures, the total increase in population in the 1981-1985 period (considered 1 July 1985) should be 1.1-1.4 million, that is, 245,000-310,000 annually. In order to reach the figure of 25 million, the natural surplus should be larger. Translated into terms of natality and mortality, we would need an indicator of natality of around 22 live births per 1,000 residents and a mortality rate of 9.5-10 deaths per 1,000 residents, with a surplus of 11-12 per 1,000 residents. The particular values for the 1971-1980 10-year period were around 19 live births per 1,000 residents, 9.6 deaths and a surplus of 9.5.

That is why it is so important to take a complex of measures to pick up natality. With regard to reaching an average length of life of 71 years by 1985, this is possible through continuing to adopt measures to reduce mortality and, in particular, infant mortality. Infant mortality in 1980 reached 29 deaths under 1 year per 1,000 live births, the lowest level in the history of national demographics; however, this level is higher than certain European countries.

A number of measures are forecast for the current decade in the area of improving the qualitative characteristics of the population, particularly health and the level of instruction, housing conditions, work conditions and, in general, the population's material and cultural standard of living. The demographic policy of the Romanian Communist Party, inspired by the principles of socialist humanism and guided by the concern for the future of the Romanian people, is being applied consistently year after year. Successfully implementing it and carrying out the basic options which correspond to the major interests of society, however, require a far-reaching effort from all the population in the spirit of true patriotism and responsibility for the future.

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## IMPORTANCE OF ESTABLISHING REALISTIC PRICING SYSTEM SEEN

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[Article by Dr Traian Lazar, head of the Prices Department at the Institute for Finances, Money Flow, and Prices]

[Text] The price system is an essential aspect of the management and planning mechanism of the national economy, the formation of prices being envisaged by our party as a conscientious reflection of objective economic laws. The direct relation between material costs, labor productivity, and the sales prices of products, points out their importance in the management and planning of the national economy.

The objective function of prices is to provide a measure of the material production value created by workers' collectives in enterprises, sectors, and branches of activity, and expresses their contribution to the creation of the national income and social product. On the basis of this same function, prices stimulate production growth, improved product quality, as well as economy and higher efficiency in social labor.

But prices and primarily production and sales prices used in relationships among socialist units, can fulfill their role only to the extent to which they are scientifically founded, based on economic principles and on social production costs, and realistically determined by taking into consideration objective production conditions.

## Economic Principles at the Basis of Prices

The establishment of prices on economic principles, on a realistic basis, is a central feature of our party's policy. At the National Conference of the RCP in 1967, Nicolae Ceausescu pointed out the following: "One of the major shortcomings of the price system in our country is the fact that a number of prices are established without taking into consideration the social expenses incorporated in products, and disregard the criteria of the law of value, which continues to act in one form or another in any economy based on the production of goods. Yet it is only within the framework of equitably established prices that enterprises can act to reduce cost prices, to increase profitability, and to eliminate losses in some products."

Based on the party's orientations, the practice followed in establishing production and sales prices for new products has sought to respect economic principles, and to reflect as fully as possible in these prices the costs necessary to obtain the respective products. Notable in this respect are the broad actions taken during 1974-1976 to establish prices as a function of economic criteria, and the similar improvements subsequently brought to production and sales prices.

Despite these efforts, when faced with the dynamism of socioeconomic processes under the influence of many domestic and foreign factors that affect the results of economic activities with the intensity and rapidity specific of the current era, and especially when faced with the requirements created by the consistent application of the new economic-financial mechanism, a number of production and sales prices have become inadequate. For instance, in the primary branches that produce raw and basic materials, and particularly in the extractive industry, prices have not even covered real incurred production costs, as a result of which a good number of the units involved have been unprofitable, not because of unsatisfactory activities, but because of unrealistic prices. Under these circumstances the respective enterprises had recourse to subventions from the budget, by-passing economic principles, with all the negative consequences that are thus created, since the coverage of a significant volume of production cost expenses from the state budget does not provide an opportunity to obtain a realistic measure of production and investment efficiency, and in fact offers an artificial assessment of the relationship between branches and sectors of activity, as well as of the contribution of each branch to the national income. This situation could not but hinder, and in fact did hinder, the complete application of the new economic-financial mechanism, as long as oil, coal, and other domestically produced raw materials were being sold at prices lower than their real costs. For this reason, enterprises were not encouraged to develop the production of raw materials, since the workers' collectives had become accustomed to the idea that they did not have to concern themselves with the cost of their products because that was the problem of the state, which had to finance them no matter what their cost.

While this uneconomical practice that did not cover real production costs was being used in establishing production and sales prices in the extractive industry, the machine building industry, the chemical industry, the light industry, and processing industries in general, were obtaining exaggerated net incomes and profits that did not reflect their real efforts. In recent years for instance, profitability in the machine building industry, the electromechanical industry, the chemical industry, the leather, fur, and footwear industry, and so on, was about 35 percent in general, and much higher for some groups of products. This situation was not likely to encourage the workers' collectives in processing enterprises to reduce costs and increase labor productivity to the maximum extent possible, thus vitiating the operation of the economic-financial mechanism and the workers' contribution to the creation of the national income.

In agriculture, losses were being recorded for some products, especially in zootechnology and in such sectors as stations for the mechanization of agriculture, despite the fact that some improvements had been made in the prices of agricultural products, following the influence of various factors which in fact had a general effect on the economy. At the same time, unjustified differences persisted between the prices of products sold by state agricultural enterprises, and those sold by agricultural production cooperatives.

Conditions such as these, that violate economic principles, have undergone elaborate studies and analyses by ministries and economic units, with the support of scientific research units. On this basis, the Plenary Session of the Central Committee of the RCP of December 1980, approved measures to update and improve the correlation--along economic principles--of production and sales prices for socialist units, as well as of production, contracting, and acquisition prices for agriculture, and to emphasize the reduction of production costs and trading in the economy.

In order to update and improve production and sales prices, conditions have been created to reflect as accurately as possible the expenses and incomes of economic units, and to stimulate the rational use of material, labor, and financial resources, so as to contribute to the consistent application of the principles of the new economic-financial mechanism. That is why this action is aimed on one hand at increasing the prices of basic raw materials to cover their production costs and a certain profit, and on the other hand at a better correlation of prices in branches and sub-branches of the national economy, in particular in primary production sectors, where lower profits and even losses are being recorded, and in the processing sectors, which are reporting generally high profits. But the major ways and means to compensate for the effect of higher production and sales prices for basic raw materials, is to reduce production costs. The coverage of price increases for primary products through increased prices for processed products cannot be accepted more than temporarily and in cases of extreme necessity.

#### Need to Differentiate Production Prices

The essential requirement in applying the new economic-financial mechanism, is to realistically and specifically measure and assess the efforts made by workers' collectives in each enterprise or economic unit, and on this basis to encourage concern for higher physical production, product quality, and economic efficiency.

The realistic aspects of the indicators used to measure and assess the results of economic units, are associated with the qualitative and quantitative fulfillment of the physical production, and with the prices of the production obtained.

The legal criterion for establishing prices is the amount of labor socially necessary to obtain products under given conditions of social production. In this respect, Nicolae Ceausescu has said: "Efficiency depends on the fulfillment of production with the lowest possible material consumption, the increase of labor productivity, and on other requirements which we have already discussed. But it also depends on the establishment of a price structure that corresponds to the labor invested. It is normal for a mass-produced item to sell more cheaply than a special-order product, fashioned by hand, which incorporates a larger amount of labor. I believe that in this respect we have not always adequately differentiated prices as a function of amount of labor, of the effort that has been made."\* That is why, as we effect the transition to self-management and self-financing in enterprises, it is more important than ever to establish prices on the basis of comprehensive analyses of the concrete objective conditions under which the units carry out their production.

\*Nicolae Ceausescu, Speech to the Conference of Active Members and Basic Cadre in Consumer Cooperatives, Craft Cooperatives, Agricultural Production Cooperatives, and Peoples' Councils, on 24 June 1980, SCINTEIA, No 11, 770/25, June 1980.



There is a well-founded principle in our country's price formation practice, and rigorously defined in the prevailing legislation, that the basis for price determination is the social production cost. These are the costs socially necessary to obtain a given product under specific production conditions, which cannot be determined as general averages of the costs experienced by production units in a respective branch, but only on the basis of thorough technico-economic analyses of objective, concrete production conditions, that take into consideration the inexorable need for maximum economies of social labor.

Under the new conditions, a general analysis and global determination of production costs does not satisfy the requirements for a realistic foundation of production prices. It is imperative to resolve the contradiction between the principle of forming prices on the basis of average costs per branch, and the demands of the new economic mechanism to create equitable conditions of profitability and self-financing for all economic units.

In this context, we believe it is necessary that both the matter of social production costs, and that of the system of production and sales prices be approached in a special manner, appropriate to the new requirements. This assumes a differentiated, thorough analysis of objective, concrete conditions in each enterprise or group of enterprises with similar production capabilities, which will make use of the studies that have already been conducted in specialized scientific research.

A thorough analysis and a concrete knowledge of expenses as a function of the objective factors which operate in production, are in our opinion particularly needed in the branches and sub-branches that produce energy resources and basic raw materials. This situation is particularly clear in the extractive industry, with its great diversity of production conditions; because the real production costs are thus determined by objective conditions, they must also reflect this diversity. For instance, a concrete analysis performed at the Motru Mining Enterprise for quarry lignite, resulted in highly different production costs per ton of product among the seven quarries--from one to three-fold in recent years--even though this system of coal extraction is even less complicated than underground exploitation. Similar examples can also be found in the processing industry, where economic results can be different depending on objective conditions, determined primarily by the technical endowment of the production processes in the units. In recent years, for instance, in Romania's chemical fertilizer combines, the difference between the lowest and the highest production cost per ton of ammonium nitrate has been a factor of two, particularly depending on types of installations and manufacturing technologies. Despite this, the production and sales price is the same for all the combines. We believe that from the standpoint of profitability, it is useful that such situations be analyzed most rigorously and reflected in production prices, so as to assure a correct measurement of the effort made by production units, and to provide the necessary economic equity, which are essential requirements of the new economic-financial mechanism.

Given the differentiation of socially necessary production costs as a function of objective, concrete production conditions, there is a need in my opinion, to expand the sphere of application of production prices differentiated by production units and groups of units, even if perhaps for only one stage. Production prices



differentiated as a function of objectively necessary costs can assure that all products required by society (that also have the same utilization value) will return benefits which will contribute to the formation of funds within enterprises and will materially encourage the workers.

The founded differentiation of production prices can in no way slow down the encouragement of enterprises to generalize advanced experience, but on the contrary, will contribute to create real monetary and material premises for technical endowment and development of all units at the level of the most advanced ones, to materially and concretely encourage them to increase quality physical production, and to increase profits and economic efficiency as a whole.

As for sales prices, that is the prices at which products move among production units and branches of the economy, they can only be uniform, averaged for a branch. I believe it necessary to further separate sales prices from production prices wherever objective factors impose it. In this way, sales prices would completely fulfill their role in the traffic of products among units and branches of the economy.

The reflection of real socially necessary costs in production prices and producers' prices, constitutes an important avenue for increasing their role within the new economic-financial mechanism.

In supporting the idea of a broader differentiation of production prices as a function of the objective production conditions in various units--if such differences exist--we do not raise the question of recognizing in production prices any and all the expenses incurred by enterprises, but rather the strictly necessary ones; we are not ignoring the extremely important role of prices in encouraging economies of social labor, and in reducing production expenses, beginning with material ones. On the contrary, we feel that this can truly be achieved only by founding prices as a function of the real social costs of production. Similarly, we cannot conceive the formation of costs, and implicitly of prices, divorced from the results obtained by leading enterprises and from those obtained in a given domain throughout the world.

It would also be mistaken to understand that by determining costs starting with the concrete, objective conditions in units and groups of units, we are abandoning the formation of production prices on the basis of social production costs, on product values, and accepting the concept of marginal prices. On the contrary, we are emphasizing that the consideration of objective, real factors in production represents that which is essential and decisive in the formation of values and in the foundation of prices on the reality of social production costs. We are starting with the idea that the formation of costs and prices is not an operation in arithmetic, but a complex process of scientific analysis that takes into consideration technical, economic, and social factors. Social production costs, value, do not represent a general average, but express a synthesis of the essence of the phenomena, of their content, determined by the objective, real factors of production processes.

We are also stressing the fact that in perfecting the system of economic indicators, including prices, insofar as they reflect the real values created by each economic unit participating in the creation of material goods as part of the social division

of the necessary labor, and in improving the comprehensive measures for the transition to economic-financial self-management, we are in no way accepting one form or another of phenomena characteristic of a market economy. On the contrary, from a thorough knowledge of realities in economic units, and the reflection of these realities through the intermediary of prices, in economic indicators, and primarily in the value of net production, we are assuring a sound foundation for a scientific, planned management of the national economy as a whole. The scientific management of the economy and society cannot be based on generalities, but only on a thorough knowledge of realities, of the demands of socioeconomic development.

#### Cost Reduction--Essential and Constant Problem

The essential problem in price improvement and higher production profitability, is cost reduction on the basis of quantitative and qualitative improvements of material production. By reducing production expenses, material consumption, and labor investment, and by increasing labor productivity, we assure the only sure conditions for continued cost reduction--the key element for the efficiency of the entire economy.

That is why the updating and improved correlation of production and sales prices cannot be reduced to a simple financial accounting operation, but represent an important step in the transition to a new quality in the economy. This assumes the complete fulfillment of the physical production plan in the structure of stipulated goods, a firm orientation toward a modernization of products and technologies, a rapid introduction of technical progress, reduction of material and total costs, a superior valorification of resources, and higher economic efficiency.

In agriculture as well, the decisive problem for profits and higher economic efficiency is a reduction in production costs.

We feel that industry--and we refer primarily to the industry which produces tractors and agricultural machinery, the chemical fertilizer industry, and so on--is in a position to provide even greater support to agriculture by increasing production and economic efficiency. Studies and analyses of avenues for increasing the efficiency with which technical and industrial means are used in agriculture, have shown that in some cases costs, and respective production and sales prices, for some new technical means sold to agriculture, have risen more rapidly than the economic efficiency introduced in agricultural production through their utilization, with negative influences on the costs of agricultural products.

As indicated by the secretary general of the party, Nicolae Ceausescu, party organs and organizations, and collective managements in economic units, must apply established measures to update and improve the correlation of production and sales prices, and have the task to act firmly to identify all possibilities for reducing material consumptions and production costs in general, for the superior valorification of all material and labor resources, and for achieving profits and increasing the economic efficiency of all products throughout the national economy.

## RESULTS OF NET, PHYSICAL PRODUCTION INDICATORS USE STUDIED

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[Text] "The problem of goods produced, sold, and paid, and of physical production, must be placed on the same plane as that of net production. The new economic mechanism cannot be applied without fulfilling and selling the production of goods, without fulfilling the physical production." Nicolae Ceausescu, speech to the general assembly of workers at the 23 August Enterprise in Bucharest.

The dominant characteristics of the current period in Romania's economy, are an accelerated expansion of technical and scientific progress, a transition from extensive development to intensive development and higher efficiency, and the stress placed on the qualitative aspects of all areas of activity. These are the conditions for broadened competence and functions in production units, a more profound socialist democracy, and an improved organization, management, and planning for the entire national economy, in keeping with the fundamental objectives of the Party Program and with the requirements of the transition from quantitative accumulation to a new quality. The organizational framework for the transition to a new quality in the area of economic management was created by applying the measures adopted by the National Party Conference of December 1977, and by the Plenary Session of the Central Committee of the RCP of March 1978, regarding the introduction of the new economic-financial mechanism, stronger worker self-management and self-administration, and the self-financing of the economic activity.

In this respect, the Plenary Session of March 1978 decided to adopt net production and physical production as basic indicators in planning. As we know, net production represents newly created values in production activities, the contribution of each unit to the national income, and is determined by subtracting material costs from the value of the total production. While the value of the total production varies not only as a function of the amount of labor newly incorporated in the production of a given period, but also on the value of the raw and other materials used in production, as well as on the organization of production process and economic structures to repeatedly include the same value, net production does not depend on the value of past labor, nor on the manner in which units are organized: its value exclusively reflects newly created values.

the adoption of net production and physical production, as well as the secondary importance assigned to the total production indicator, do not represent a simple substitution in the system of indicators used to plan and measure economic activities, but a conceptual change, a matching of the indicator system to the requirements of the new economic mechanism as a whole, eliminating the shortcomings in the planning and management of the economy that are generated, among other things, by the use of total production as a principal criterion of measurement. It thus becomes possible to use economic management instruments capable of stimulating each unit's interest in the achievement of higher newly created-values, and of physical products with the lowest possible consumptions of materials and manpower.

Evaluating the results obtained after two years of generalized application of net production and physical production, we note the viability of these indicators and the successful fulfillment of the functions assigned to them as part of the new economic-financial mechanism. In industry for instance, the net production achieved during 1980 amounted to 303 billion lei, representing one-third of the total production. Compared to 1979, net production increased by 8.6 percent, which is much higher than the rate achieved for total production (6.5 percent). And whereas during 1979 net production represented 31.7 percent of the volume of total industrial production, it increased to 32.4 percent during 1980, while material costs dropped to 67.6 percent. The conclusion is that in industry, the application of the new mechanism and the use of the new indicators have stimulated the interests of unit collectives in reducing material consumption and in increasing the newly created values.

Compared with the preceding periods, physical production for the major industrial products has also seen a significant growth: 102.1 percent for steel over 1979 (1979=100), 107.3 percent for coal, 127.7 percent for means of automation and computer technology, 121.7 percent for metal-cutting machine-tools, 113.4 percent for tractors, 104.4 percent for trucks, 117.9 percent for cars, 106.1 percent for textiles, and so on. But net production and physical production are not merely two indicators--plan or statistical--and they do not solely represent two concepts--albeit important ones--for illustrating achievements in some domain or other; they express a new concept in the area of economic planning, management, and organization, in the improvement of the entire economic activity, an idea to which all decisions must be subordinated, independently of whether they concern an individual or collective work station, a unit, a central, or a branch of the economy.

Indeed, as we have shown, net production represents a newly created value, each unit's contribution to the national income. We must also remember that units produced new values even before the establishment of net production as a basic indicator, and that some portions of the national income were used for consumption and for accumulation. The new feature introduced by the current economic-financial mechanism and by net production, is that this indicator is no longer determined at the level of the national economy, but at the level of each production unit.

This modification is not a perfunctory one, nor does it mean a simple change in the location and moment of calculations. Whereas during the use of the total production indicator the national income was known only at the level of the national economy (since it was not possible for direct producers to know their contribution to that



income, nor to determine whether the amount of the national income produced by any one unit corresponded to its capabilities), the use of the net production indicator places each unit in the position of observing and assessing the result of its activity, and its contribution to the national income; at the same time, the state can also determine the efficiency of each unit's activity.

A fundamental change has also occurred in the distribution of the national income: net production--as part of the national income--is beginning to be distributed from the level of production units to elements of the consumption fund and of the fund for socioeconomic development. Conditions have been thus created for a broad worker participation in one of the most important economic decisions: the distribution and utilization of the national income. This is an eloquent expression of the widening socialist democracy in our country, a stimulating element in the unstemmed growth of net production and material cost reduction.

The few new elements introduced by the net production indicator into the broad context of the application of the new economic-financial mechanism, are sufficient to fully justify the assertion that this change is not a perfunctory one, but that it has deep implications in the concept of economic organization and management, especially at the level of economic units.

The result of applying net production to the major branches of the national economy--industry, construction, agriculture, and transportation--belies some old and new opinions that the net production indicator has a number of defects and that its application will produce effects contrary to the ones intended by its creation. Although these opinions were countered with theoretical arguments at the time, we will reexamine one of them, attempting as much as possible to compare it with concrete results.

One of the main counter-arguments refers to the fact that this new indicator will reduce labor productivity, insofar as it will generate a trend toward the abandonment of new means of production in favor of manual labor, which creates new values. It was argued for instance, that labor productivity in the construction branch will be reduced because the use of highly efficient equipment and prefabrication of construction elements will be abandoned in favor of conventional manual methods. But the facts readily contradict this opinion. We can show for instance, that labor productivity in construction-installation increased by 45.8 percent during the 1976-1980 period. With the application of net production, more than three-quarters of the production growth obtained in industry during the five-year plan that just ended, resulted from higher labor productivity, as compared to only 55 percent during the preceding five-year plan. The use of this indicator therefore did not reduce labor productivity, but rather increased it quite significantly. At the same time, it is notable that during the same period, the number of workers in the economy as a whole increased by only 16.5 percent--a growth correlated with demographic growth--and that nowhere in the economy has there been a return to hand-made production!

Another opinion was that the net production indicator could weaken the interest in the promotion of technical progress, and that the rate of endowment of the economy with modern, highly productive, and valuable means of production will be reduced, with a consequent reduction in the volume of production. This theory has also been invalidated in practice. For instance, the value of fixed assets in the national

economy at the end of 1980 approached 2000 billion lei, with 85 percent of this amount having been achieved during the last 15 years (and about 40 percent during the last five-year plan), through the placement in operation of nearly 2500 industrial and agrozootechnical production capabilities. Agriculture was similarly endowed with a large number of tractors, combines, and other agricultural machinery, the transportation sector acquired new locomotives, cars, ships, passenger and freight automotive vehicles, and a large number of industrial units were modernized and retooled.

Not only did net production and the new economic-financial mechanism fail to stop technologic progress, it in fact encouraged its expansion at much higher rates than under the previous conditions. The notable fact in this domain, however, has been the greater care devoted to rational endowment, the elimination of overendowment, and the acquisition of means of production with higher yields and lower energy consumptions, and that are less expensive and more advantageous from the standpoint of the material costs which they cause. Moreover, the use of the net production indicator, requiring as it does a constant reduction in material costs, has determined a new point of view toward the maintenance of fixed assets which generate material costs, and toward some tooling which is no longer needed by the enterprises which own it, and which can be declared available for distribution to other units where it is needed.

Among the criticism directed toward the net production indicator is that its content and the manner in which it is calculated cannot stimulate specialization and cooperation in production. The argument made in this respect for instance, is that for a subassembly required for a finished item produced through cooperation, the entire value of the subassembly is included in the material cost of the finished product, whereas if the subassembly is produced in the same unit as the finished product, the value of the subassembly is distributed partly in the material costs and partly in the net production of the finished product. This leads to the conclusion that in seeking the achievement of net production, enterprises will abandon cooperation and will adapt their production to the complete fabrication of products.

This apparently justified conclusion is invalidated upon careful analysis, and in fact has also been invalidated in practice. Indeed, to fabricate a highly complex finished product under integral fabrication conditions, an enterprise must first of all have all the production capabilities required to manufacture all component subassemblies. In second place, it must have a qualified personnel and the production experience needed to use these capabilities, thus producing the subassemblies at costs that are at least equal to those of specialized units, since only in this manner can it operate with an efficiency that justifies the integral fabrication of the product in a single unit.

It is obvious that if the necessary material conditions, personnel, and experience are available, and if the efficiency is adequate, cooperation is not justified, and in fact not expected. But when these conditions are not satisfied, enterprises will of course opt for cooperation, organizing their activities so as to reduce material costs for the parts which they produce, and will not undertake unnecessary and large expenses to create production capabilities for another specialty, which would only complicate their economic and financial situations. In addition to these arguments, we should also point out that after the introduction of net production as a basic

indicator of economic activity, there have been no cases of restriction of cooperation, but on the contrary, that several cases of expanded cooperation have surfaced instead; similarly, no enterprises are known in which cooperation in production has led to difficult financial situations, or which have not fulfilled their net production tasks at planned levels.

Despite these, we cannot assert that net production does not influence cooperation. On the contrary. But this influence is particularly positive. Thus, whereas the total production indicator caused enterprises to practice any kind of cooperation, net production has a positive character, encouraging only advantageous cooperations and causing enterprises to have recourse to these relationships only if they lead to higher production and labor productivity, reduce costs, and increase net production and economic efficiency in general.

I have stressed these few problems associated with the use of the net production and physical production indicators in the context of the new economic-financial mechanism during the 1976-1980 five-year plan, in order to point out the viability and superiority of these indicators, and their outstanding role and importance in the building of the multilaterally developed socialist society in our nation. As we know, the Romanian society during the new five-year plan will move through a superior stage in its evolution, which will see the powerful assertion of the technical-scientific revolution in all sectors, and the accelerated transition--on the basis of quantitative accumulations--to a new quality of socioeconomic activities; this is the stage which will assure the harmonious development of the entire economy, and the continued growth of the national income and social product. Also to be considered is the fact that the development of our national economy will occur against the framework of the new phenomena that have arisen in the world economy, the implications of the extended economic crisis and of the deepening energy and raw materials crisis, and the growing interdependence of national economies.

Under these circumstances, net production and physical production become increasingly important instruments of economic management, their functions need to be consolidated, and the achievement of the levels established in annual and five-year plans must be exemplary. The fulfillment of net production at planned levels is a requirement on which depend the very development and equilibrium of the national economy. This dependency results on one hand from the fact that economic progress is determined by the allocation of part of the net production to society, this being an obligation that falls upon industrial units; while on the other hand, it is only by achieving the net production that units in all branches create resources for their own economic development funds, for housing construction, for other investments of a sociocultural nature, and for reimbursing the funds received from society to finance investments. Scientific research, technologic development, and the promotion of technical progress are also stimulated through the funds created for that purpose--within the limits of planned quotas--at each enterprise and central.

At the same time, the fulfillment of net production tasks determine the fulfillment of the program for raising the standard of living of the entire nation. This relationship is achieved through the remuneration fund which is formed in each enterprise from net production, and which includes rated remunerations; raises for uninterrupted seniority and for outstanding work performance; bonuses and



indemnifications for working personnel; the portion allocated to taxes on remuneration funds, which are disbursed into the state budget, and part of which are found in the form of remunerations or sociocultural actions in the consumption fund; contributions to social security, which are used to form pension funds; and the participation of workers in profits.

In its essence, and through the functions that are assigned to it within the economic-financial mechanism, net production develops and broadens the economic attitude of those who form collective management organs in enterprises and workers' collectives in general; creates a vested interest for workers in achieving and surpassing the value of net production and in respecting planned production structures; and assures an optimum framework for a more rapid introduction of scientific and technologic progress in the production process. At the same time, net production demands a more closely correlated operation of all departments in economic units; imposes an awareness, analysis, and systematic monitoring of the manner in which tasks are fulfilled in all areas of activity of enterprises, and especially in terms of material consumption, utilization of machines and equipment, and fulfillment of work standards; as well as a knowledge of technical-material supply and production delivery, especially in exportation. Net production is also a much more rigorous instrument than other indicators for estimating the efficiency with which the technical-material base available in each unit is used, because the determination of labor productivity and efficiency of fixed assets is much more conclusive through the intermediary of net production.

We believe that it is superfluous to overly insist on the importance of fulfilling tasks in physical production. In final analysis it becomes a concrete representation of all productive activities, in utilization values and in physical products needed by the national economy and the country's population.

As we know, an abundant material production of physical products--consumer goods, results of labor, or means of labor--leads to an increasingly great satisfaction of the consumption needs of the population or the national economy. At the same time we must keep in mind that under a planned economy, the quantity of physical products needed at a given stage is known and fixed in the plans for each stage, and that this imposes as a basic requirement of economic equilibrium, the integral fulfillment of stipulated plan tasks; any failure for one product or another can then lead to perturbations, whose magnitude depends both on the amount of the shortage and on the importance of the product.

At the same time, we must point out that because of the same restraints of planned development, physical production that exceeds established provisions is not always favorable for the national economy. For instance, by exceeding planned production in an enterprise when raw material supplies are limited, it is possible to seriously disturb the activities of other enterprises of the same type, and produce financial currency perturbations when the raw materials are imported. Moreover, the fabrications of physical products which require high consumptions of raw materials and energy is not justified beyond planned provisions, since the national economy would then be forced to support without strict necessity, additional consumptions during a given period. Production beyond planned levels can be justified for a number of products necessary to the national economy (particularly raw materials) if their production is achieved within allocated resources, if sales are assured (especially for exportation), or if it reduces importation.



In closing, we want to stress that the fulfillment of net production and physical production, inseparable components of the new economic-financial mechanism, constitute a priority objective at the current stage of development of the national economy; and that is because the two indicators are considered as the most important parameters for planning and measuring economic results, with profound implications on emphasizing qualitative aspects and increasing efficiency in the economy.

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